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WEST EUROPE REPORT

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SOVIET FOREIGN AFFAIRS OFFICIAL: INCLUDE BALTIC IN 'ZONE'

Stockholm NY DAG in Swedish 17 Nov 83 p 19

[Interview with Vadim Zagladin, senior foreign policy official in Moscow, by Lars Vikstrom; date not specified]

[Text] "We propose that the entire Baltic be declared a nuclear weapon-free zone," said Vadim Zagladin, senior foreign policy official in Moscow. The statement is the clearest so far from the Soviet Union on the nuclear weapon-free status of the Baltic. NY DAG met Zagladin in Moscow to discuss disarmament questions in Europe.

[Text] [Question] "What does Vadim Zagladin think about the current situation at the Geneva negotiations?"

[Answer] "It makes one very sad, because of the efforts of the United States to deploy its new nuclear missiles in Europe at any price, and change the balance of forces to its advantage. In early 1980 Paul Nitze wrote, as today with the United States negotiations, that it is most important for the United States to secure increased strength, and negotiations are only a way of gaining time."

Zagladin said that Nitze thereby only sees the negotiations as a cover for new military preparations. The same attitude, he said, is held by White House advisor Colin Grey, who clearly pointed out that the missiles are going to be deployed in Europe regardless of whether an agreement is reached at Geneva or not. According to Zagladin these conceptions are now being turned into reality. Despite the fact that discussions are taking place in Geneva, the United States is sending parts of their missiles to West Germany, Great Britain and Italy. Can one really call that a serious attitude toward negotiations, he wonders.

Compromises?

[Question] "But is there room for compromises?"

[Answer] "We are serious in the negotiations, and are striving in practice for a significant reduction of nuclear weapon arsenals in Europe on the basis of equality and the same security principles for both parties, NATO and the Warsaw Pact.

"The Soviet Union has expressed its willingness to, first, reduce the number of medium-range nuclear missiles by one-third, cutting down the number of SS-20 to 140 (with the condition that the number of warheads on the missiles is the same as that of the NATO countries).

"Second, we are ready to reduce our nuclear weapons, not only in the European part of our country, but also in the Asiatic part, from where they can reach the territory of West European countries.

"Third, we are ready to liquidate the missiles, together with their launching ramps. Fourth, we are ready, if an agreement is reached, not to move the SS-20 missiles now in Asia to the West.

"And finally, fifth, we are ready to reach a supplementary agreement on limiting and reduction of missiles with a range of under 1,000 km (medium range missiles have a range of 1,000-5,000 km)."

This is as far as the Soviet Union can go. There appears to be very little room for further compromises, for example concerning the reduction of SS-20. It was also pointed out that further compromises would be seen as a sign of weakness on the Soviet side.

Breakdown

"If the nuclear weapon negotiations break down and the United States still deploys its missiles in Europe and thereby unilaterally breaks off negotiations, the Soviet Union and its allies will take necessary steps. And then it would not be an 'arms race' but our legitimate right to strengthen our defenses," said Zagladin.

"We remember very well Hitler's aggression against the Soviet Union in 1941, and we will not permit the past to be repeated. But we do not choose such a development. Our strategy is to continue negotiations until an agreement is reached. We know that our attitude is supported also by vocal and influential forces in Europe, and also in the United States. Everything therefore depends on the United States."

Nuclear Weapon-Free Zone

[Question] "What guarantees can you extend from the Soviet side as to the creation of a nuclear weapon-free zone in the Nordic countries?"

[Answer] "We are ready to give guarantees of the status of a nuclear weapon-free zone--if and when it is created. We are also ready on our

territory to take important measures which will contribute to strengthening the observance of the status of the zone."

[Question] "Does that mean that you can guarantee the zone as to nuclear weapons on the Kola Peninsula and the southern Leningrad military district?"

[Answer] "That is a question for negotiation. It is clear that we can give guarantees to the countries which will be in the zone and which themselves do not have nuclear weapons on their territory and are not manufacturing them.

"Furthermore we propose that the entire Baltic be declared a nuclear weapon-free zone."

[Question] "Does that mean pulling back all nuclear weapon-armed submarines?"

[Answer] "Naturally. If the Baltic becomes a nuclear weapon-free zone.

"We are ready for concrete discussions on these questions with interested parties," he added.

Extent

As to the extent of the zone, Zagladin said that it is up to the countries which announce an interest. The broader the zone, the better.

"Our idea is that all of Europe should be a nuclear weapon-free zone. The more zones, the nearer we come to our goal, which is peace," said Zagladin.

[Question] "Olof Palme's proposal for creation of a nuclear weapon-free corridor in Central Europe has been much debated. Do you consider that it is still feasible?"

[Answer] "The Soviet Government has, in a special document, expressed its support in principle for Olof Palme's idea on the creation of a zone free of tactical nuclear weapons. That is a proposal which will unconditionally contribute to strengthening peace in Europe, and not only there. We are ready to discuss all questions, including the breadth of the zone and measures of control.

"But naturally everything does not depend on us. For an arms race, the initiative is only needed from one country, but to conclude a treaty for its end requires agreement by all parties involved. And the West, especially the United States and NATO, have not shown any willingness to deal with Olof Palme's proposal."

Submarines

When we finally came to the inevitable question of Soviet submarine violations of Swedish waters, Vadim Zagladin had nothing to add to previous official Soviet statements.

"We have expressed our regrets that one of our submarines violated Swedish territorial waters in 1981. No further such incidents have taken place. The Soviet Union has the best intentions toward neutral and peace-loving Sweden," said Vadim Zagladin.

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RUEHL ON ARMS NEGOTIATIONS, NUCLEAR STRATEGY

Herford EUROPAEISCHE WEHRKUNDE in German Oct 83 p 459-465

[Abridged paper by Dr. Lothar Ruehl, state secretary in the Federal Ministry of Defense, from the Security Information Conference of the Clausewitz Society on 19 and 20 August 1983 at the Staff College of the Bundeswehr in Hamburg]

[Text] The strategy of the North Atlantic Alliance avails itself of nuclear weapons as a means of preventing war through deterrence, not as a means of fighting a war. Any supposed transformation of this deterrence strategy into a war fighting strategy exists only in the minds of those who draw mistaken conclusions from the capabilities of the armed forces and either ignore or misinterpret the facts.

Will the military resources, weapons, and armed forces be adequate to maintain deterrence effectively--that is, to maintain the existing state of peace in Europe on an enduring and solid basis for the common security? Or given its high state of armament and its massive armed forces does the military confrontation, which has remained stable and passive, threaten after all to turn into war from a conflict developing under critical conditions? Are the nuclear and other weapons really being used to preserve the security, or are they not a highly-explosive potential for war, which in reality creates insecurity?

The answers to these key questions about security through armament and about mutual deterrence cannot be given in advance. The marshaling of evidence is hampered in connection with both considerations, because the absence of war gives only provisional information about the effectiveness of this preventing of war. Nevertheless a comparison can give information about the probability content of the assumption: Under the arch of tension of the East-West antagonism and of the global deterrence between the two alliances in arms against each another with their armed forces, a state of peace has been preserved in Europe and around the globe between the American and the Soviet world power.

Although the value and stability of deterrence by nuclear weapons and defense readiness in alliances can be questioned, it cannot be denied. The

same thing is true of the strategy of flexible response and of controlled escalation. Thus the question concerns its methods and the limiting of the risk in the foreseeable future.

The prerequisites for this strategy--which does not amount to merely resources for a nuclear threat, but is based also on defense capability even without nuclear weapons, at least so long as the military resources and the risks stand in an acceptable proportion for the continuation of conventional defense--have been established in their essential features for about a decade and a half:

1. No side has a strategic superiority which would offer it the prospect of a successful war of aggression, in case it wanted to pursue such a war as a means of policy;
2. No side has the capability of a nuclear first strike which could disarm the enemy, and there is no prospect that one of the two nuclear great powers or any third power could acquire such a capability;
3. Even without counting the British and French nuclear weapons, the sizes of the strategic weapons arsenals of the two sides have created such an order of magnitude for the demonstrating and secure maintaining of global deterrence that it permits extensive cuts without a loss of security;
4. The structural differences between the American and Soviet armed forces, especially with respect to nuclear-strategic capabilities, leave room for various trade-offs for bilateral arms limitations and for arms reductions for the sake of achieving an approximate symmetry and for correcting grave disparities;
5. Modern weapon technologies have conflicting effects on the crisis stability of the strategic weapons of both sides: On the one hand, with the mobility of the launching systems on land and on sea they give protection against disarming strikes, but on the other hand in this way they create verification problems for reliable arms control; increased functional reliability and aiming accuracy, and a concentrated aiming effect and the limiting of the spread of damage outside the target area give to these modern nuclear weapons the capability of selectively blanketing the target and turn them into instruments of a flexible strategy which could limit escalation more effectively and more reliably; on the other hand, they increase the offensive options against stationary weapons in silos themselves;
6. The multiple-strike technology of the warhead cluster (MIRV) has shifted the strategic arms dynamics to this technical property and thus to the number of warheads in relation to the missiles and launching systems; with that a tendency has arisen toward the proliferation of nuclear warheads on strategic delivery systems and toward the enlargement of the throwweight as a prerequisite for maximal utilization of this option;

7. The limiting since 1969 of strategic arms control to weapons of intercontinental range or mobility, as formalized in the Moscow agreement of 1972 and in the Vienna treaty of 1979, has caused a tendency toward concentrating on strategic arsenals on the part of the two SALT parties, as well as a concentrating on SALT criteria, thus leaving free room for regional threats with weapons of a shorter range; since 1972 the Soviet Union has resolutely made use of such latitude below the ranges for SALT-covered strategic weapons systems within the intermediate range (below 5,500 km and down to about 900 km) for a continental-strategic and regional nuclear weapons armament against Europe and Asia, and in this way has begun to alter the strategically relevant balance of forces for Europe and the Far East to its advantage.

What Conclusions Follow?

The North Atlantic Alliance pursues its strategy on the political basis of solidarity among the allies and on the strategic unity of the alliance's territory on both sides of the Atlantic, but with this involving differing military risks. This basic assumption holds true regardless of the respective armed-forces structures, weapons arsenals, and strategic requirements.

Only in the case of a nuclear attack on North America at the start of war would the territory of the United States be threatened more than West Europe. In all other imaginable cases of a military conflict between the Warsaw Pact and the North Atlantic Alliance, either West Europe would be attacked before North America, or it would be cut off from North America. In all cases except the first-mentioned one, the direct military threat would be concentrated on Europe.

But the case of a nuclear attack on the United States can be ruled out on the assumption that there is an effective mutual deterrence in relation to the Soviet Union. Thus the strategic problems of the North Atlantic Alliance essentially lie on the European side of the Atlantic, indeed regardless of what can be imagined or under certain assumptions calculated about the vulnerability of the American intercontinental missiles in their silos.

From the very beginning the strategy of NATO was focused on providing coverage for the military risks of a West Europe lying in the shadow of the Soviet armies, air fleets, and missiles by means of operational American nuclear forces, to such an extent that in a crisis the Soviet Union would be denied the options for threatening Europe. But the means to be used for its execution have been in question since the beginning of the 1970's.

Up to 1979, the policy of arms control was keyed primarily to a bilateral balance between the world powers and to limiting the strategic forces of the United States and the Soviet Union. Only the concern of the NATO partners with the "grey area problems" of the SALT limits and with the subject of modernizing the regional nuclear forces of NATO in Europe--a

process which resulted in the so-called "two-track decision" of NATO after the conclusion of the SALT II agreement in 1979--brought together arms control and strategy in a common denominator of Western security policy for the needs of Europe. Therefore the INF negotiations in Geneva which commenced in October 1980 on intermediate-range systems has acquired a fundamental importance for the security requirements between East and West. The decision of the NATO partners within the framework of a long-range program for modernizing the regional nuclear weapons systems (TNF) to enlarge the number and range of the long-range delivery means under these regional nuclear forces (LRTNF, later called INF) was associated from the very beginning with three conditions:

1. The changing of the regional nuclear capability of NATO in Europe was to be limited and evolutionary--that is, a revolutionary changing of the balance of forces to the Warsaw Pact and of the strategic situation in Europe between the two sides was ruled out in the NATO plan;

2. Reliance on nuclear escalation in the NATO strategy of flexible response is not to be intensified, and the number of nuclear weapons in Europe is not to be increased; on the contrary, the strengthening of the long-range component of the regional nuclear forces by modern American missiles has been linked to a decrease in the number of nuclear warheads in Europe, and a decrease in the missile systems of shorter range has been contemplated;

3. Modernization of the regional nuclear forces and arms limitations for weapons systems of intermediate and shorter range are conceived of as a complement to an overall solution of the problem of the disparities in the balance of forces to the Warsaw Pact; modernization is to correct structural weaknesses in the picture given by NATO's regional nuclear weapons, and the arms control approach is to correct the disparities and bring about an adequate solution to the "grey area problems" in the intermediate-range sector.

These three conditions of 1979 mean that the NATO partners:

- Do not want to give rise to any "Eurostrategic" conflict structure for nuclear warfare limitable to Europe,
- Are not confronting East Europe and the Soviet Union with regional offensive measures for a retaliatory blow and do not seek any parity of nuclear options vis-a-vis the Soviet offensive capability in Europe,
- Are limiting to a minimum the strengthening of long-range delivery means in their regional nuclear forces for the purpose of executing their strategy under changed conditions,
- Are placing this minimum at the disposal of an arms control negotiation and moreover are giving priority to the outcome of this negotiation; the two-track decision of 1979 provides that the rearming needs of NATO for

weapons of intermediate range will be determined by a negotiational result;

- Are linking this with the strategic offer to the Soviet Union to abandon the armament option for strengthening deterrence in Europe and for optimizing the instruments of flexible response, in order to leave room for arms control.

This offer of relinquishment by the NATO partners was proposed in 1981 in the form of the so-called zero solution. Although the two-track decision of 1979 also includes the possibility of a bilateral relinquishing of nuclear intermediate-range weapons, its offer is for the limitation of these weapons on both sides--to the lowest level. The offer of President Reagan in 1981 contemplated instead the lowest conceivable level: No such weapons worldwide in American and Soviet forces. This most radical of all imaginable solutions remains the goal of NATO.

Such a bilateral exclusion of a technical weapons category would mean some degree of disarmament for the Soviet Union, would mean the abandonment of an option for the United States and NATO. In terms of a cooperative arms control the two would be reconcilable. Both patterns of behavior would correspond to the differing starting positions on their paths to the goal: Pre-arming in the East, which would have to be removed, relinquishment of an arms buildup in the West, which would have to be offered in exchange. If such a harmony of restraint were to be achieved between the two rival world powers and their allies in Europe, then for the first time in the history of disarmament efforts since 1945 an entire weapons category would be omitted worldwide. Europe would no longer be threatened by such weapons--and in exchange the Soviet Union would not need to fear American weapons which in Russian eyes are a critical threat to the Soviet Union.

If this Western offer were to be accepted, then both sides would be able to find common ways by means of which they could reduce their nuclear armaments and offensive options and could undertake a balanced dismantling of these arms. This dismantling also should and could include nuclear weapons with a smaller range and conventional forces--that is, could bring to a successful issue and complement the negotiation on troop reductions in Central Europe.

The Objections

The objections to this offer which are made in West Europe and North America can be reduced to two speculative assumptions:

1. That the Soviet Union will reject this offer,
2. That the Soviet Union logically must reject this offer, above all because it relates solely to land-based intermediate range missiles, whereas it excludes and thus exempts all other weapons of an intermediate range. As for the second assumption, it is based on an error:

The two-track decision of 1979 already provides for equivalent arms limitations for aircraft of intermediate operational range. The American draft agreement of 1982 and its amended version of 1983 include provisions for the limitation of missiles with a relatively short range according to their number and range, as well as according to the number of warheads on the missiles. As far as the first assumption is concerned, it is founded on the Soviet line of argument, which tactically considered is to be understood both as a defense of the Soviet negotiational position and as a promoting of Soviet interests with respect to a negotiational goal. But the Soviet line of argument serves Soviet policy, not a balanced negotiational result, which presupposes considerable concessions from the Soviet Union. However, the Soviet line of argument seeks to make it unnecessary for Soviet policy to make precisely such concessions; therefore it is directed at those forces in the West which are bent on a compromise to the detriment of the West. Soviet policy is seeking to capitalize on these forces and is orienting its public argumentation toward this goal. But with that nothing is said about the fallback position of the Soviet negotiational leadership in Geneva if it fails in this attempt to spare itself concessions in the negotiation through pressure of public opinion in the West on the American negotiational position.

Ever since the beginning of the SALT process of strategic arms limitations, the Soviet Union has always been demanding from the United States a recognition of the principle of "parity and equal security." But in its policy toward Europe and Asia, it is not guided by this principle even in terms of the consistency of its demands on the United States. So far it has denied West Europe above all any "equal security" and equal status for arms control over nuclear weapons. The Soviet condition for a complete withdrawal of all intermediate missiles on the European mainland is the complete strategic disarming of France and Great Britain. Against the 162 British and French strategic missiles (144 SLBM's and 18 land-based rockets), according to the "Andropov" proposal of 1983 the Soviet Union would merely retain only the same number of land-based missiles of intermediate range from its 243 SS-20's stationed against Europe (and therefore dismantle all the older SS-4/5's).

Even if a portion of the eighty SS-20 systems to be withdrawn were to be dismantled, the Soviet Union could introduce the drive stages, missile bodies, electronic devices, and warheads into the maintenance and repair cycle in order to increase in this way the operational readiness of the remaining systems and to achieve a higher technical reliability by means of a larger reserve of spare parts. The same thing is true of the SS-20 missiles and solid-fuel drive stages in the reload inventory, which is being established without restraint from Soviet "moratorium" declarations.

In exchange for a removal of all SS-20's and SS-4/5's against Europe, the "Andropov" proposal demands the unrestricted relinquishing by the United States, France, and Great Britain of land-based missile systems with a medium range, as well as the relinquishing by France and Great Britain of

SLBM systems--that is, of sea-based missiles. But the sea-based Soviet missile weapons would be excluded, as well as the Soviet land-based SS-12/22 missiles. Accordingly, whereas all 144 British and French sea missiles and the 18 French land missiles would be dismantled and rendered unserviceable, not a single modern sea missile of the Soviet forces would be covered by this rule. The Soviet counterparts to the British and French SLBM's, the SS-N-6's on nuclear-driven submarines, would remain untouched and thus available as a means of attack or a threat against West Europe. What we are considering here are about 300 or 450 SS-N-6's at any given time whose support is located in European ports of the USSR, for the most part at the Kola base complex on the northeastern tip of Scandinavia. In an arms control agreement on INF systems limited to Europe, the USSR would call in only the 15 older SLBM's with a short range, which are on old diesel subs in the Baltic Sea.

The Soviet logic for the West European SLBM's is not in line with the Soviet logic used in defining strategic and "intermediate" weapons systems: According to the formal criteria agreed upon between the SALT signatories, SLBM's are "strategic" weapons regardless of their range.

Their global mobility on their carrier submarines makes their missile range immaterial for arms control. It is only on that account that SLBM's could be introduced into a globally applicable agreement on arms limitations. For an agreement applying regionally, such as for Europe, they are unsuitable simply because the particular sea station of nuclear-powered submarines cannot be verified. Incidentally it is for this reason that a sea basing of intermediate range weapons is also not suited to arms control. The carrier ships of such weapons would have to be monitored continuously on the sea (and thus be threatened by potential attackers) in order for an arms control agreement to be adequately verified.

The Soviet line of argument also counts the three warheads each in the MRV dispersion clusters of the British "Polaris" A-3's as separately targetable warheads and thus draws up the calculation of $3 \times 64 = 192$ British SLBM warheads in its representation of the "European" balance of forces for INF weapons. But according to the counting criteria for warheads in SALT agreed upon with the United States, all warheads in MRV dispersion clusters count as one single warhead, because they cannot strike three different targets, but only one target area. For example, in SALT all Soviet SS-N-6 MRV tips--that is, the 200 MRV SS-N-6's--are counted in this way. Thus the Soviet Union is seeking to count the British and French SLBM's three times, while it includes its own comparable SLBM's only once (aside from the fact that it does not want to see Soviet SLBM's considered in a Europe-specific INF agreement, from the way that it has proposed this). Such a manner of counting by a double standard--one way for the Soviet Union, a different way for Europe--leads to the logical absurdity that American "Polaris" A-3's are counted differently from American "Polaris" A-3's on British submarines.

The Soviet Union is trying in this way to include in the count on the American side the strategic weapons of third countries in an American-soviet parity, so that the United States would have to permit the strategic weapons of its two allies to be counted toward its allowed number of weapons beneath the parity ceiling for INF systems. This is to apply to both missiles and warheads. Andropov's concession on taking the number of warheads as a criterion for an INF arms control agreement is again invalidated by the attempt to count the British "Polaris" warheads as three independently targetable weapons. A second Soviet attempt aims at including also future British and French weapons in the calculation, but in doing so leaving future Soviet missile warheads outside the projection. Taken rigorously, such a rule would mean that in 1990 the Soviet Union would be allowed to keep operationally ready 400 SS-20's with 1,200 warheads in a European arms control agreement on INF systems. The Soviet Union based its own negotiational proposals on a count of 1,200 British and French missile warheads by 1990.

But even if we were to stick to a comparison of the missiles and their warheads without such extrapolations and the simple "Andropov rule" were to hold for an agreement, we would still have 162 Soviet SS-20's, each with three separate MIRV warheads as target options independent of one another, as opposed to 162 British and French strategic missiles--a Soviet missile count which lies far beyond the order of magnitude which is critical in terms of a special threat to West Europe from Soviet intermediate-range missiles. In comparison to the number of SS-20's stationed in 1983 within range of Europe, this would cost the Soviet Union only the difference between 162 and 198 on its European territory and the somewhat larger difference between 162 and 243 in terms of the stationing of all SS-20 forces aimed at Europe inclusive of the 45 systems east of the Urals in the Ural military district--some 81 SS-20 systems. But in order to achieve an arms control effect which gives more security, very many more SS-20 missiles would have to be removed, especially since the reload inventory of operational missiles, which is not taken into account in in all these calculations, can double the offensive capability of the SS-20's with a single reloading.

By way of the British and French missiles, the Soviet Union is seeking to mask its conspicuous superiority over NATO in Europe and to keep for itself the advantages of the greater number, while at the same time excluding by agreement any Western counter-arming. This attempt is also associated with the aim of denying to the United States any stationing of intermediate-range weapons in Europe and of preventing NATO from having counteroptions to the Soviet intermediate-range strike threat.

Soviet Negotiational Objectives

The Soviet negotiational position on INF systems, which has remained essentially unchanged since 1980, aims at:

1. The driving away from Europe and the adjoining sea areas of long-range American delivery means for nuclear weapons,
2. The excluding of any stationing of such delivery means of modern technology by NATO in Europe,
3. The weakening of the U. S. light air-strike forces capable of carrying nuclear weapons but with conventional operational capability within the NATO association in Europe and in European sea areas,
4. The retention of the freedom to station Soviet continental-strategic weapons systems outside the European portion of the USSR within certain geographic limits.

Politically, Soviet diplomacy and propaganda are seeking to maneuver the United States into a conflict of interests with its European NATO partners and moreover to even bring about a conflict in Europe between the nuclear powers on the one hand and the countries without nuclear arms on the other. This second objective is served by the demand for consideration of the British and French strategic deterrent capabilities.

For those European NATO partners which do not have independent nuclear arms, any allowance for or indirect consideration of the British and French strategic weapons on the American side of an INF parity equation for arms control would be unacceptable, because their shielding by nuclear deterrence cannot be transferred from the United States to France and Great Britain. A comparison of the sizes of France/Great Britain to the Soviet Union demonstrates this adequately: The West European strategic weapons add up to about 3 percent of the Soviet strategic weapons. Yet even if this relationship of forces were different, it would not change the existential problem: For the two West European nuclear powers, their missiles and bombers are a last resort--they are weapons of national self-defense, the ultimate means of posing a threat for the sake of national self-assertion at a time of immediate danger to their own country. Both powers have repeatedly declared that these weapons are not available to NATO for carrying out a strategy of flexible response, but remain subject to the sovereign right to act in the highest national interest.

The Soviet government knows well these conditions for the assignment of national forces to NATO command areas. Thus it cannot come to a false assessment of the alliance relationships in NATO.

The Soviet agreement draft provides for a lowering of the parity ceiling or upper limits between the USSR and NATO (United States, France, Great Britain) of initially 600 delivery systems, including the INF aircraft, down to 300 each within 5 years. Here in addition to the 162 British and French missiles the Soviet government is also counting 93 British and French INF aircraft (47 British "Vulcan" bombers and 46 French "Mirage" IV bombers)--that is, a total of 255 INF delivery systems. Thus for the United States there would still be 45 slots open under the "NATO upper

limit." In this connection, the Soviet Union is categorically demanding that the United States refrain from the stationing of weapons systems of new missile technology. The Soviet government is calculating as INF systems all of the about 700 nuclear-capable American combat aircraft in Europe and in the European NATO sector, including those on aircraft carriers at sea. Therefore the United States would have to withdraw 90 percent or about 650 of these aircraft to America. The departure of this aircraft capability would cripple the NATO air forces vis-a-vis the Soviet Union in terms of their conventional operational task as well as in terms of being carriers of regional nuclear weapons. Again the equality of the requirements on both sides is not present, because the comparable Soviet light combat airplanes which can carry nuclear weapons are not covered by the Soviet negotiational proposal. The Soviet Union is offering as INF aircraft solely combat aircraft with an intermediate range--"Backfires," "Badgers," and "Blinders"--but it is demanding the removal of no less than 650 nuclear-capable American aircraft, of which only about 150 "F-111's" can be viewed as INF systems. But for the countries of West Europe, all the Soviet light combat aircraft in Central Europe and in the western Soviet Union which can carry nuclear weapons to their targets are, strategically considered, "forward based systems" (FBS), such as the short-range missiles which can strike targets in West Europe.

Under such provisions, it is difficult to lead such negotiations to the desired outcome on the basis of a conciliation of interests. The separate handling of aircraft and missiles would not solve the problem either, especially since a connection would have to exist between the two according to the Soviet view. Nevertheless the United States will pursue all approaches to progress in the direction of a balanced interim agreement.

But in the interests of European security and Germany's national security, such an agreement has to provide more security than the present unsettled situation without an agreement, which the Soviet Union has brought about by its pre-arming with SS-20's.

With its SS-20's and its shorter-range modern missiles, the SS-22's, SS-23's, and SS-21's, whose incorporation into the Soviet forces had been planned for several years and has already begun--surely not commencing only after the start of stationing of American cruise missiles and rockets in Europe scheduled for the end of 1983--the Soviet strategy is seeking to achieve a dominance in escalation capability in Europe which cannot be challenged with the means of flexible response, for the purpose of an effective control over the European continent in case of an international crisis in tensions. This would mean that in a crisis NATO would have to incur a high risk in resorting to its means of escalation in Europe. With any first use of nuclear weapons there is a risk of escalation, and although the course this might take has been imagined and planned for, nevertheless in the dialectical process of decisions made by the two adversaries against each other this course could not be controlled by either side with certainty. But if in some arena of conflict one side acquires the option of a first use with a limited risk, then by virtue of

the restricting of damage which it could undertake with an effective disarming strike on a large part of the opposing forces, it can decrease its risk to the point where a decision on the use of nuclear weapons can be incorporated into the strategic possibilities.

The Soviet strategy has always been aimed at denying this option to the United States and NATO in the form of a nuclear threat in opposition to an attack by the conventionally superior Warsaw Pact forces. The Soviet intermediate-range systems have had this function from the very beginning. The modern intermediate-range systems of the Soviet Union are incomparably better suited to this purpose. It is in this further development of a nuclear option of Soviet strategy against West Europe, which has existed for some time now, that the qualitative change lies in the strategic situation on the European continent. In conjunction with the global change, whose characteristic is the strategic parity between the Soviet Union and the United States, the American protector might no longer reliably perform its function of shielding West Europe, for lack of sufficient reserves of intercontinental target options against the Soviet Union in a given vital threat to North America.

Conclusions

A situation threatens to arise for NATO in which the Soviet dominance in escalation capability in Europe with continental strategic offensive means and regional nuclear weapons causes Western deterrence to be dependent on the threatening effect of America's strategic weapons. But these weapons are vulnerable to a great extent, and the risk to the United States from a threat with strategic weapons would become vitally grave.

Translated into the language of strategy, this means: In the absence of an adequate escalation capability by means of regional nuclear weapons in Europe, the American deterrence is driven back into a situation without alternatives, in which what remains to it is the threat of massive retaliation, whereas in response an at least equally massive counterstrike could be expected. To keep this situation from arising or to correct it in time was the reason for NATO's preoccupation with modernizing its regional nuclear forces in Europe.

The bilateral shifting of strategic weapons into the reserve of threatening a retaliatory blow increases the value of the balance of forces for nuclear options and all other military force ratios falling below global parity as resources of strategy, but thus also as resources of policy in the conflict. Precisely for this reason, the extension of arms control to this plane is imperative for the common security.

This upgrading of regionally operational delivery means for nuclear weapons and of all military forces was recognized by Soviet strategy early on in the SALT process as the logical consequence of limitations of strategic arms. The decision to modernize its obsolescent intermediate-range attack capability against NATO and thus to not only reactivate it but to increase

it more for strategic purposes was made between 1972 and 1977. This decision, made after 1 1/2 decades, to revamp a weapons category which had already been abandoned by the United States and also had been left outside the arms control negotiation, obviously was based on the realization that in this way increased pressure could be exerted on Europe and Asia and a distinction could be made between threatening the United States and threatening Europe.

Then the scale of stationing SS-20's which was reached between 1979 and 1983, amounting to 243 against Europe and 351 total, with a rising trend in East Asian regions, and the option which has been retained of also enlarging the number of SS-20's in the European USSR, demonstrate the great interest of the Soviet government in a Eurostrategically effective continental missile. The organization of the Soviet missile forces with its stationing pattern for intermediate-range missiles also points to an even greater possible level of SS-20 forces: By mid-1983, in addition to the 351 operational SS-20's there were still about 230 older SS-4/5's in position, and more construction work was in progress for missile emplacements in the area of Novosibirsk and further eastward. As many as 25 additional SS-20 regiments could be placed in service in the conversion process for the 230 SS-4/5's which are still operationally ready.

Under such conditions, Soviet moratorium offers can have only a symbolic significance as a method for influencing the climate of opinion in the West. They do not change the plans for armaments and their execution, as is shown by the contradiction between the moratorium announcement by Brezhnev in the spring of 1982 and the technical completion of stationing of SS-20's according to plan. Therefore a notification that in view of the beginning of stationing of American intermediate-range missiles in Europe the moratorium would no longer be in effect would also be of no consequence: The Soviet Union has never stopped developing additional SS-20 operation sites in its European territorial area.

Faced with a systematic Soviet armament unremittingly in preparation for more than 10 years now for limited nuclear warfare in Europe and Asia regardless of the reserve capability of the threat of intercontinental weapons against North America, Western strategy must maintain its options for preserving deterrence by modernizing its weapons systems. Correspondingly it is imperative for arms control that no agreement be allowed to be concluded which would not grant equal rights to the United States and the USSR upon exclusion of the third-country systems, and give a like upper limit for the bilateral counting of intermediate-range missiles and INF aircraft.

The strategic question for the West is not whether NATO could get by with fewer nuclear weapons on the whole or fewer nuclear-weapon delivery means of a certain type and range without abandoning its options and weakening the deterrent effect of its armed forces, but rather the question of what forces are necessary in order to prevent the Soviet Union from having the offensive options of a differentiated strategy between America and Europe.

The security question is how the Soviet Union can be induced to moderate its armament and its demands in order to make possible arms control and stable strategic relations between East and West as a prerequisite for bilateral arms reductions.

Therefore the arms control positions of the Western allies must maintain the means for the execution of their strategy and aim for a reduction of these means on both sides. Only on this basis can the Western allies come to the negotiations with offers to the other side whose acceptance could be reconcilable with the strategic requirements of its own security.

Like strategy, arms control is a means of security policy, not an end in itself--a means for keeping the security stable in crises, just one means among others. Therefore the question of security policy cannot be raised as an alternative between arms control and armament, or between negotiations and military power. The first task of a rational political shaping of opinion is to recognize this complementary effect of the two and thus to recognize their connection, and from that to draw the logical conclusion that unilateral disarmament can never be effective and that security can be acquired only step by step with the adversary. Only in a common striving for successful negotiations for a solid and appropriate agreement will a partnership for security become real and meaningful between potential enemies. The East-West relationship is still far away from this partnership with the Soviet Union and the Warsaw Pact, as the state of the Geneva negotiations reveals.

12114

CSO: 3620/66

PAPER VIEWS ARMS TALKS ON OCCASION OF DEPLOYMENT

Stockholm DAGENS NYHETER in Swedish 17 Nov 83 p 2

[Editorial by Olof Santesson: "The Nuclear Weapons Are Coming!"]

Now it will soon be too late. The efforts to prevent NATO from placing nuclear-tipped intermediate-range missiles in Western Europe have not had sufficient effect. A new round of arms buildup has begun, with the approval of many but against furious protests by millions of Europeans.

In the East, the Soviet SS-20 missiles have existed for many years; at present at least 243 of them are positioned against Western Europe. And now the first new U. S. missiles have arrived at the Greenham Common base in Great Britain. They constitute a gruesome vanguard for a total of 108 Pershing 2 and 464 cruise missiles which NATO intends to deploy in Western Europe, unless a limitation agreement is reached by way of negotiation--in Geneva--with the Soviet Union.

Now, a few days before a majority of the FRG Bundestag is expected to confirm its intention to go through with the NATO measures, a miracle is necessary for the sides to agree on a solution, which will halt the recently begun weapons effort in the West and the conceivable Soviet counterarming. When the last hope is gone, we will arrive at a moment that causes both sadness and concern in the postwar history of Europe.

NATO has (in all seriousness?) maintained--and maintains--that the new intermediate-range missiles are a military necessity in order not to award a blackmail-prone Soviet Union the sole rights to such weapons in Europe!

When the Americans began to develop these types of weapons, in the mid-1970's, they spoke of the need for a "modernization" of an older nuclear weapons arsenal. As late as toward the end of the decade they really did not discuss the need for a counterbalance against the Soviet deployment of SS-20 missiles which had begun at that time--and which was also called a modernization. The first one to demand a special European counterweight to intermediate-range missiles was then FRG Chancellor Helmut Schmidt in a speech in 1977.

But NATO's famous "double decision" in December 2 years later had far more political than military motivations; even today the new missiles are not said to be part of any kind of overall strategy or even to have been thoroughly tested. The thinkers within NATO in all seriousness believed that earlier in the 1970's the Soviet Union through pressure and propaganda had prevailed on Western Europe to refrain from backing the so-called neutron bomb. They now wanted to show, by means of a new important weapons decision, that the NATO members were capable of making their own decisions and could find solutions around which to unite.

We know how this weapons decision, which was thus intended to infuse new confidence and harmony into a somewhat moth-eaten NATO, turned out. Instead, Pershing II and cruise missiles have come to symbolize dissension. The weapons which several Western European politicians wanted in order to tie the defensive power of the United States more securely to that of Western Europe have frightened people in all countries.

Careless U. S. discussions about deterrence were interpreted as serious plans to, if need be, try to fight so-called limited nuclear wars--which would crush European civilization, however. The peace movement which had faded away has received a new impetus. The Reagan regime is by force creating a nuclear opposition by the people in Western Europe that has no precedent. One by one the Social Democratic parties are distancing themselves from a decision they themselves helped bring about 4 years ago.

Moscow was delighted with the increasing struggle against nuclear weapons and believed it could use this to halt a NATO arms buildup which has frightened those in power in the Kremlin as well. In practice, however, both the Soviet Union and the United States have felt forced to present entire series of compromise proposals, intended to make an impression on the opinion of Western Europe and on the Western European parties and governments affected by a mounting popular opinion.

The multitude of proposals is confusing. Actually, they were only adjustments of the initial standpoints of the two sides. At an early stage the Soviet Union committed itself to maintaining an SS-20 arsenal equivalent to the combined arsenals of Great Britain and France; it refuses to agree to the deployment of a single U. S. medium-range missile in excess of those. The United States has insisted that Europe should have the same number of missiles as the Soviet Union; British and French nuclear weapons are regarded solely as intended for traditional deterrence. But sooner or later all nuclear weapons in the total deterrence balance must be dealt with in the very same forum.

From widely separate starting points, the two sides have not been able to come any closer to each other. New and "absolutely final" proposals may perhaps show up in order to make an impression on the final West German debate. But we must anticipate that the damage has already been irreversibly done. Now it is a matter of limiting it.

11949
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ATTACKS AGAINST CORPORATE COMPUTER CENTERS

Duesseldorf HANDELSBLATT in German 8 Nov 83 p 4

[Text] HANDELSBLATT, Monday, 7 November 1983. Duesseldorf --Enterprise computer centers are priority targets of methodically operating bombers. As leading crime experts have been able to discover, there is a method behind the dynamite attacks on the computer centers of companies: They are part of a terror strategy developed years ago by the RAF (Red Army Fraction). Left-wing extremist successor organizations above all exploit the time before and after the probable stationing of American medium-range rockets for specifically target-oriented attacks.

The first preliminary survey of the extent of destruction had barely been prepared when the target, Krupp MaK Maschinenbau GmbH in Kiel-Friedrichsort already had a plausible explanation ready for the dynamite attack on the enterprise on Friday of last week: Because of the "defense component" of the enterprise, the experts are convinced that the attack had a "political motivation" and was carried out by "some extremists."

The explanation by the enterprise, which also makes the Leopard II tank, is not so out-of-the-way in view of numerous similar cases. It is especially in the public dispute over the stationing of American Pershing II and Cruise missiles in Western Europe that--in police circles--the makers of armaments and the suppliers are considered particularly threatened by attacks from left-wing terror organizations. The bomb attack on the MAN [Augsburg-Nuernberg Machine Factory Inc.] computer center at the end of September in Ginsheim-Gustavsburg (Hesse) was justified by so-called revolutionary cells by stating that the plant turns out flat-bed vehicles which can be used to transport Pershing II rockets. Hans Werner Hamacher, head of the North Rhine-Westphalia State Criminal Investigation Bureau, said: "The time for such action seems favorable because they would now perhaps be more likely to encounter explanation among segments of the public."

Quite independently of the rocket debate: The strategy, with which criminal associations operate against "imperialist America," long ago ceased to exclude attacks on enterprises. In 1980 already a so-called strategy paper was found in a conspiratorial apartment of the RAF in Heidelberg in which enterprises

are listed as potential attack targets. Bomb attacks were to hit primarily the enterprise computer centers. Said Hamacher: "The in itself destroyed RAF thus once again showed the way for successor groups which exist like islands in the Federal Republic and which can then act quite on their own."

They are doing this obviously with an intensity never seen before. Bomb or arson attacks have been recorded by the police according to Hamacher in terms of differing quality almost every week. Last weekend alone, dynamite charges were set off in Kiel at Krupp and at Siemens in Brunswick. SEL [expansion unknown] in Berlin was the target of an arson attack. Simple instructions are being circulated in underground circles as to how to make bombs, on the basis of fire extinguishers and gasoline cans, triggered by primitive alarm clocks. Anybody who wants to can get special instruction as to how "a terminal can be wrecked in ten different ways."

These violent groups believe that they have found a worthwhile target above all in the computer centers of the enterprises--they can thus hit the very nerve ceter of the enterprise. Without data, production can be paralyzed and the delivery of products can be stopped. Once the computer center with the data file has been hit, "then," according to MAN plant manager Hilmar Kobriger, "we are practically blind."

The investigative authorities discovered quite some time ago that it is not just only armament firms and their suppliers that are threatened now. "The attack target," says Hamacher, "can be everything that has to do with America directly or indirectly. Even if the company's name only sounds like it. The threatened group of companies--as has been determined from lists circulating underground--includes reactor construction as well as government data centers. Says Hamacher: "This goes so far that even suppliers for disputed building projects can be hit."

In the opinion of crime experts, the way the companies can protect themselves against possible attack depends on the individual case. But often enough they are powerless. Says Hamacher: "What can you do about the depositing of a gas can or a briefcase in front of the outside wall of an enterprise?" In order above all to raise the awareness of the sensitivity of computer centers, data processing experts and the police recommend not only tightening up entry checks leading to control centers but also installation of such facilities deep inside buildings on higher stories. But if the computer center is located directly along the street, then there is only one thing one can do according to Hamacher: "Posting guards and using watchdogs."

5058

CSO: 3620/76

PROGRESS IN DESTROYING RAF LOGISTICS REPORTED

Bonn DIE WELT in German 9 Nov 83 p 8

[Article by Werner Kahl]

[Text] An encoded "wander guide" of the terrorist "Red Army Faction" (RAF), which the decoders of the Federal Criminal Police Bureau were able to crack a year ago, has shown criminal investigators the way to 80 to 90 percent of the RAF logistics. That has been determined by those evaluating the finds of a total of 18 ground depots of the RAF. "The assumption that the logistics was destroyed with the discovery of the depots has been fully confirmed," said Klaus-Herbert Becker, department president of the Federal Criminal Police Bureau, in a preliminary analysis.

The hiding places set up in forests along the north-south highways in Germany were one of the reasons why the RAF, despite an intensive search, was able to play cat and mouse with the police. Disguised as cross-country runners and strollers, the terrorists were constantly able to slip into new identities without having to seek out a house or even an administrative agency for their transformation. Numerous police officers from various federal Lands were involved in the action "Squirrel" to find the ground cavities, as the Federal Criminal Police Bureau emphasized. Security authorities determined that after the emptying of the depots members of the remaining RAF came together with confidants in the FRG for only hours and immediately retired to their foreign hiding places in East bloc countries.

It is uncertain to what extent the shrunken RAF circle of underground commandos and supporters was able to renew the logistics this year. One thought seeks to link up with the extremist scene so as, after a 2-year pause, to take part once again in the arguments with vigorous attacks. It would, of course, be necessary to determine whether the militant autonomous groups want the illegal "RAF-louse" in their clothes.

Despite the announced "hot autumn" and the substantial preliminary work of "legal" RAF-supporters above all in northwest Germany and in Hesse, the actionists of the RAF, as opposed to the "Revolutionary Cells" (RZ), remained in the background. In just those areas where special activities were noted in 1982, there was relative calm this year through October. A continuing result of the serious logistical setback or tactics?

Focal points in 1982 were the Rhine-Main area, North Rhine-Westphalia, West Berlin and--with limitations--Baden-Wuerttemberg. This year, attacks were concentrated above all in the Frankfurt area on the west runway.

Criminal Weapons Secured

In the Federal Interior Ministry, it is expected that the RZ, after the obvious conclusion of theoretical discussions, will now begin a phase of putting the "armed struggle" into practice. It is now estimated that the RZ-scene in the FRG is comprised of about 6 groups with approximately 50 persons. As indicated by Andreas Schmidt (Command Staff of the Border Police Command West) in an appraisal of the situation in the technical journal DIE POLIZEI, it is believed that some "cells" were successful in infiltrating the "peace" and antinuclear movement. There they act unrecognized and, according to Schmidt, they are seeking to release "a latently existing potential for militance."

In regard to the RAF, the Federal Criminal Police Bureau sees it confirmed through the depot finds that it was accurate in its assessment of the enemy. In addition, the police was able to use captured notes to link still unidentified persons with their true functions. Members of the "hard core" had negligently noted down the actual names of helpers and set aside information of the place of residence, occupation and circle of friends of sympathizers who were seeking support.

Along with the now recognizable personalized circle of the RAF-command, there is the detailed evaluation of approximately 10,000 pieces of evidence. Thus the courts are assured of being provided a previously scarcely known quantity of evidence for future trials. That is already seen in the trial that was recently opened against Adelheid Schulz and Rolf Clemens before the Higher Regional Court in Duesseldorf. The former nurse was, along with Brigitte Mohnhaupt, whose trial will soon take place in Stuttgart-Stammheim, arrested 11 November 1982 in front of the central depot (Depot 1) in Hesse.

The police have secured a weapon for every crime perpetrated by RAF-members since 1977. Of the weapons taken by the RAF in a raid on the Fischlein weapons store in Frankfurt in 1977, the only one that is missing from the Federal Police Bureau's collection is a 12-gauge "High Standard" shotgun. At the time of her arrest, Adelheid Schulz had in her possession a Colt 45 that was also taken from the weapons store in Frankfurt--shortly before the murder of banker Juergen Ponto and the abduction of Hanns Martin Schleyer. Other weapons are of Soviet origin.

"We Will Get Them All"

Notes on the Federal Criminal Police Bureau, seen by the RAF as its true enemy, were found in a container. "We will get them all," Horst Herold, former president of the Federal Police Bureau, had announced in the 1970's. There were notes in other containers on Israeli installations and on individuals in the FRG and other west European countries.

The question in the RAF and its circle is: who is in command and who will see about regular contacts between those on the outside and those in the prisons? The justice system has learned from the experiences of the 1970's, when Gudrun Ensslin, Andreas Baader and Brigitte Mohnhaupt were able to practice an information system. For security authorities, that also explains the appearance of Adelheid Schulz in the courtroom with her, for outsiders, astounding knowledge about the crime against Hanns Martin Schleyer. And as the chairman for constitutional social welfare said, she was not just talking "in circles," but she was consciously talking "out the window" to her comrades on the outside and in the expectation that it would be passed on to the accomplices in prison, to Brigitte Mohnhaupt and Christian Klar.

Also along those lines is the appeal of the accused to bring RAF-prisoners together. They want the large cell so that they can exchange information more quickly and to establish contact with the outside. The solid core of the 1970's is no active on the outside. Those who, possibly frightened by the brutality of some comrades in the inner RAF-circle, have not made an active appearance in some time were also not conspicuous in the depot material. Among them, for example, are Susanne Albrecht, Friederike Krabbe, who supposedly married in Baghdad, and Christine Duemlein. It probably has not escaped their attention that the RAF, with its elitist ideas, has met with failure and cannot reach the masses. The "hard core" is now thought to have no more than 8 to 10 people compared with 20 just last year.

9746

CSO: 3620/68

SECURITY EXPERT: USSR'S TIES WITH SWEDEN AFFECT ALL NORDICS

Helsinki HUFVUDSTADSBLADET in Swedish 2 Nov 83 p 10

[Text] "If Swedish relations with the Soviet Union worsen, this has an effect primarily on Finland, but the security situation of all Nordic countries could be affected in this manner."

This was stated by Norwegian security expert Arne Olav Brundtland while he was visiting Helsinki. Brundtland sees respect for Swedish neutrality as the central issue.

Brundtland bases his concept on the word "balance," i.e. that which usually is called "stability" in Finland. This means that Norwegian and Danish NATO membership, with the traditional limitations on bases and nuclear weapons, is balanced by Finland's obligations under its Friendship and Mutual Assistance Pact with the Soviet Union.

According to Brundtland, this balance presupposes that Swedish neutrality is firmly anchored and supported by a credible military defense.

"We in Norway are proud of the effort we made during the 1961 crisis," Brundtland said.

During that year, according to his interpretation, Norway made clear to the Soviet Union that any interference in Finland would immediately change Norwegian policy toward bases and nuclear weapons.

"I do not want to go into what Kekkonen said in Novosibirsk," Brundtland said.

Own Self-Confidence

Brundtland said the following on the Soviet perception that NATO had strengthened its grip on the Nordic countries:

"In general, the Soviet Union builds up its defense without thinking about the reaction by other countries. It is a matter of their own self-confidence. They are not used to discussing these matters with other countries."

"The Soviet Union sees the negotiations with Norway as something new, without revising its own activities."

According to Brundtland, the Norwegians have taken the international climate into account, to a certain extent. In 1976 and 1977, when Norway became aware of how the participation of West German troops in military maneuvers was interpreted, the Norwegians refrained from using infantry troops.

Brundtland characterized the present security debate in Norway as a discussion between two sides, both of which are firmly anchored in the traditional Norwegian view:

"It is a question of how deterrence can be reconciled with confidence."

"While the Conservative government emphasizes deterrence, the Labor Party constantly stresses the other aspect," Brundtland said.

According to him, the discussion has nothing to do with traditional NATO ties.

Deterrence Or . . .

"The debate actually is about our basic approach. Should we place a priority on negotiations or make sure we have a deterrent force?" Brundtland said.

"In essence, the Conservatives want a slightly higher defense and security profile than the Labor Party."

According to Brundtland, a comparison with other current issues confirms this analysis.

The Conservatives want to increase defense spending by 3.39 percent, based on the needs of the military, while the Labor Party wants to increase defense allocations by 3 percent over the inflation rate, based on the desire to increase spending as little as possible, while giving the military what it needs.

Borders Less Clear

Brundtland also sees parallels in Sweden. Palme's foreign policy has become controversial in Norway, as well.

"It is putting a strain on our relationship with NATO. The Labor Party is interested in this, but it frightens the Conservatives. It also means that the battle between parties is crossing national boundaries," Brundtland said.

He also believes that the debate between Aarne Saarinen and Kare Willoch is reducing the significance of national boundaries among the Nordic countries. The question of stationing troops in the north was a domestic issue, according to Brundtland.

On the issue of the nuclear-free Nordic zone, Brundtland sees the same

division as before in Norwegian politics. The Labor Party is interested in cooperation with NATO, while the Conservatives want to participate in the overall NATO strategy.

Mutual Declarations

But Brundtland sees Koivisto's idea of a mutual declaration on the boundary between Norway and Finland in the north as an issue that is much easier to discuss than a joint pact of some type.

"Whether or not this means a lower NATO profile is a matter of opinion. In any event, however, this is certainly in line with the confidence-building measures outlined by the Stockholm Conference," Brundtland said.

9336

CSO: 3650/39

SCHLUTER BUOYED BY LATEST VICTORY IN BUDGET FIGHTS

Coalition Functioning Increasingly Well

Copenhagen BERLINGSKE AFTEN in Danish 28 Oct, p 3, 11 Nov 83 pp 1, 12

[Commentary by Hans J. Poulsen]

[Text] Schluter's sextet, which started practicing together about this time a year ago, has clearly found the melody now. It can't be described in any other way, especially when you see how the "four-leaf clover" has managed to unite such poles of opposition as the Radicals and the Progressives. Despite the significant concessions made on the way, the government feels that it has gotten the "essential bits" of its policy to go through. And along with that, it has steadier ground under its feet now.

It was about as Danish as it could be. When the prime minister and his finance minister got the jump on the Progressives last Monday in negotiation which included (among other things) a sizeable increase in the duty on mineral water, they washed it all down afterwards with a dram of bitters.

A few hours later, the "four-leaf-clover" government as a whole could enter into an agreement which unites such poles of opposition as the Radical Liberal Party and the Progressive Party, and which improves the government budget for 1984 to the tune of 5.5 billion kroner; this means, among other things, cutbacks in subsidies to municipally owned apartment buildings, amounting to 1.35 billion kroner. When you count it all up, there is still a ways to go to the 10 billion kroner or so which the government set as a goal for itself in budget improvement, when the financial bill for the coming calendar year was presented on 17 August.

Prime Minister Poul Schluter did admit without embarrassment at a press conference that they had "bitten off quite a large chunk" at the beginning of the road of negotiations. But he does think that it is still possible to improve government finances further before the end of the year. According to the finance minister's reports, they are still some 2 to 2.5 billion kroner short of the goal for 1984.

When Schluter Was the Only Optimist

As things stand according to the last balance sheet, the state will be receiving a net 2.4 billion kroner more into the treasury, even though the tax burden (that is, duties and taxes compared with the gross national product) will fall from 45.9 percent this year to 45.1 percent next year. The new financial bill presented in August, however, assumes an unchanged tax burden.

Before the beginning of the negotiations, which have gone on since 18 October, with the Radicals and the Progressive Party as a single participant in bilateral discussions with the government, there was a widespread perception that things looked incredibly difficult ahead relative to a sextet of parties. As the days and hours passed, it looked as if Poul Schluter stood by himself with his incurable optimism.

The point of departure for the two parties that the government was courting, both of which now can seriously be considered the government's working partners in economic policy, was the following:

The Radicals rejected general tax relief measures, changes in the rules for receiving aid from the A-funds, reductions in child subsidies and increased payments for positions in day care centers. To the introduction of a health tax for the 20-25 percent of the population with the highest incomes, the Radicals said "maybe." They did not want to reject the idea that there was money available from that sector, but they were skeptical about the concrete details of the government's proposal, which was supposed to bring 1.1 billion kroner into the national treasury.

The New Crux of the Matter

The Progressive Party wanted to make tax relief and savings measures all across the board. They were not satisfied with having the personal deduction for national taxes raised by only 1 krone (to 21,000 kroner) and said no to the idea that salaried workers and employers should pay in 1.4 billion kroner more in contributions to unemployment insurance. The health tax idea, which at the very end became the crux of the matter, was eyed suspiciously by the Progressives.

Except for one failure last Thursday and Friday, developments confirmed that the government and the Radicals consistently tried to keep to amiable negotiations in the political process. So one could stand fast, if things got hard and if a Folketing election would have to be called.

This didn't happen, as is well known, and it was a tired but triumphant prime minister who asked two television news reporters after the agreement why TV MAGAZINE the day before had announced a Folketing election. The two reporters in question defended themselves by saying that they had had that day off.

The episode spun itself out with the introduction to a press conference, where it was the prime minister who "sold" the agreement to the public, while his finance minister explained the technicalities behind the statistics.

Agreement to the Terms

During the discussions at the prime minister's office, the three representatives from the Progressive Party (Helge Dohrmann, Ove Jensen and Ole Maisted) showed themselves to be more competent in negotiations and more ready for compromise than anyone had expected. What they achieved in the realm of general tax relief was extremely limited, but what they agreed on with the government was also agreed upon within their group.

By a shrewd move, with the clock at 1 minute to 12, they not only avoided turning into pumpkins; they also had the last word, by saying that they would say yes to the agreement on the condition that the health tax proposal be omitted. Which the government agreed to.

The Radical negotiators, who already had packed up for the day, informed the others promptly that the health tax could be omitted as far as they were concerned. It hadn't been their idea, after all.

The last phase of negotiations with the Progressives was very straightforward. It was almost like at a horse trader's, with 100-krone-bills flying over the table (relating to the personal deduction question), until the government put the brakes on and the negotiators could drink to seal the bargain. They agreed on 22,000 kroner, which should cover a loss for the national treasury of 660 million kroner. This tax relief is a general one, but in the Radical's estimation it lies within the "bagatelle limit," which they consider acceptable in this situation.

The danger that we might be having an election in November was definitely impending at the beginning of the week. But the government decided to hold on to the agreement, with the correction suggested by the clever Z List people last Monday at noon. For the government, meanwhile, the conclusive thing was that they felt that "despite everything" they had gotten some essential parts of their policy to go through, besides getting the chance in the next 6 to 7 weeks to "make up for lost time."

Subdued Social Democrats

The Social Democrats have since claimed that they could have improved the budget by 700 million additional kroner. But otherwise they have been quite subdued in their criticism of the formulations which the six-sided committee has agreed upon without their help. They showed the strongest opposition to the new extra annual duty of 450 kroner which salaried workers and employers will be charged for the financing of training in the labor market.

The big opposition party clearly would rather talk about anything else. And so the Social Democrats' speeches to the government next week will be in the form of inquiries regarding missile deployment in Europe and their position on the financial laws for 1984 which are to be adopted in mid-December.

Thus encouraged, the government will certainly be doing quite a bit to strengthen its ties, both with Dohrmann's resourceful Progressive group and with a tractable Niels Helveg Petersen, who can anticipate being off work at Christiansborg until Constitution Day.

Schluter, Jorgensen Sharpen Attacks

Copenhagen BERLINGSKE AFTEN in Danish 2 Nov 83 p 13

[Text] The Stadium Hall at Aarhus was divided into two equally large camps earlier this evening--1,000 Social Democrats were betting on Anker Jorgensen, while 1,000 Conservatives cheered Poul Schluter on--in a debate between the former and the current prime ministers.

The tone was particularly sharp, when former Prime Minister Anker Jorgensen earlier this evening in the Aarhus Stadium Hall took his last swing--in front of 2,000 listeners--at current government head Poul Schluter, his last chance before the missile agenda/war debate starts in the Folketing tomorrow morning.

But it was not the missiles which were the particular bone of contention this evening. The leader of the opposition, Anker Jorgensen, was much more critical of the recent "Rio Bravo" agreement.

"The government must know already that it is costly to govern without including the Social Democrats. It is, for example, rather clever that the government has not informed the people of the duplicity involved in arranging an agreement with the Radicals which requires that the Social Democrats vote for it," said Anker Jorgensen.

He pointed out that the extension of maternity leave up to a full half year would cost 875 million kroner. This was a point which, because of opposition from the Progressive Party, was not included in the agreement but had been agreed upon with the Radicals. "These funds probably could be used more reasonably somewhere else. But we will vote in favor of the agreement in any case," said Anker Jorgensen to BERLINGSKE AFTEN.

Prime Minister Poul Schluter declined to comment ahead of time on the content of the agenda which the Social Democrats will be bringing up in the Folketing tomorrow morning. This evening in Aarhus the government was again reminded that the opposition wants to advise the government to take the initiative in favor of having NATO's Council of Ministers meet before missiles are deployed in West Germany and England.

"I am constantly afraid that the lack of unity in the West will make the Soviet Union less inclined to cut down on the number of missiles it has," said Poul Schluter, who called himself "a peace demonstrator--just like the rest of the population of Denmark, since they have no desire for weapons and wars."

Poul Schluter affirmed that the government would remain in office up to a normal election date for 2 years. And he said it after Anker Jorgensen had repeated the content of the Social Democratic agenda to be brought up tomorrow morning.

Just as many Social Democratic supporters as Conservative supporters listened politely to the political comments of the former and the current prime ministers. When a member of Denmark's Social Democratic Youth heckled Schluter, he replied: "You should have gone to a disco instead; then you could have tried to compete with the music."

In general, the traditional voters' mood was present at the meeting, which lasted two and a half hours. And there was even a little room for cooperation, when the Social Democratic Youth and the Conservative Youth ran around the hall in perfect harmony, carrying gold dustpans and collecting money to cover the cost of the meeting--15,000 kroner in all.

From a political point of view, the debate ended in a draw.

Conservatives Benefitting from Schluter Popularity

Copenhagen BERLINGSKE AFTEN in Danish 5 Nov 83 p 10

[Editorial: "Happy Conservatives"]

[Text] The Conservative Party has not been better off in many, many years. The Conservative representatives who will be called to the national meeting today will be excited and glad, and they have good reason to be. The party stands at the head of the coalition government which has been running the country for more than a year, and there are no storm clouds in the sky which might portend an end to their game. For the first time in the history of the party, there is a Conservative in the prime minister's seat, and Poul Schluter should be heartily congratulated for that. A party which has suffered heavy setbacks through the years had the right to enjoy its good times, and no one should resent the fact that they are so happy.

The fact that the Conservatives have been so fortunate is not least due to their skill, as the leading party in the government, in managing negotiations with the other parties in the government. The four parties involved have much in common, but they do have their differences as well.

It would be very easy to cause misunderstandings which could lead to uncomfortable episodes among the parties. It can be uncomfortable beforehand that the relative strengths of the parties as shown in the opinion

polls have turned out to be so favorable for the Conservatives. The prime minister should be congratulated that the cooperation is being carried out without any threatened friction. It is even more worthy of admiration that the government, considering the situation, achieved unity not only among the four government parties but also with the Radical Liberal Party and the Progressive Party. Such a vast range of parties is going to make demands.

The political situation enforces on the government certain rather definite parameters, which limit its possibilities, which force it to make sacrifices which it would rather avoid making and which are more or less burdensome for it in regard to its relationship to the others of the government parties. The same is also true for the Conservative Party. It would be peculiar if no one at the party's national meeting expresses worry or even overt dissatisfaction with the concessions the government has had to make to reconcile itself with the opposition parties in the area of security policy. Foreign policy and defense are essential elements in a conservative party's platform, and there must be some strong resentment among the Conservative representatives concerning the position of the Social Democrats on the missile issue--and concerning the orders given to the government by the majority, against its wishes and in opposition to its policies. The defeats which a Conservative prime minister has chosen to live with are undoubtedly felt strongly by Conservative representatives. It would indeed be difficult for Poul Schluter to argue convincingly that he has never had to give in. And there still must be Conservatives who would have preferred that option, which in the long run would contribute significantly to the party's success.

But the happiness over the fact that the Conservatives have found their place in the sun for once will surpass all such worries.

9584

CSO: 3613/35

VON WEIZSAECKER ON BERLIN STATUS, RELATIONS WITH GDR

Bonn DIE WELT in German 29 Oct 83 p 4

[Article by Hans-R. Karutz]

[Text] Berlin--Berlin's politicians want to coordinate all future contacts with top SED officials in advance and do not want to pursue on their own with the "GDR" any policy which could jeopardize the Senate's official negotiating positions on behalf of the Federal Government. According to reports, the leaders of the CDU, SPD and FDP parliamentary groups agreed on this in talks with the mayor in office Richard von Weizsaecker.

Through DIE WELT, Weizsaecker warned the Berlin parties against allowing themselves to be "taken advantage of" by the other side in contacts. East Berlin is obviously testing "whether or not we are going to allow ourselves to soften." "We must not be fooled by conditions--especially the erroneous claim of a new negotiating base" since Weizsaecker's meeting with Erich Honecker.

Weizsaecker said that contacts with the SED should "invariably include sensitivity to legal status." The CDU politician rejected contacts with the People's Chamber as they have now been established by SPD pedagogues. In individual discussions with parliamentary group leaders Peter Ulrich (SPD), Eberhard Diepgen (CDU) and Walter Rasch (FDP), and in a separate talk with a representative of "alternative groups," Weizsaecker had pushed for such a clarification, which had become necessary because East Berlin, in preparatory talks on the visit of a group of "GDR" pedagogues, suddenly gave a new interpretation to the Weizsaecker-Honecker meeting of 15 September. Weizsaecker had always explained that he exchanged views with Honecker as a "German politician," but that by no means should this in any way be interpreted as a new view of the status of the city of Berlin as a whole. However, such critical voices had grown loud among the public.

The mayor in office intervened because the SED, represented by the head of the "West Berlin" Division of the East Berlin Foreign Affairs Ministry, Walter Mueller, had submitted to SPD representatives an explosive political-status version of the Weizsaecker-Honecker meeting of 15 September. According to Mueller--who took part in the 4-hour conference--a "new negotiating base" between the "GDR" and West Berlin has since been established. The Berlin SPD is supposed to receive a delegation of pedagogues, for the time being comprised

only of People's Chamber members with permanent residence in the "GDR," for a return visit. The vice chancellor of East Berlin's Humboldt University, who has no seat in the People's Chamber, was included in the delegation at the last minute only after protests by the SPD.

Weizsaecker explained to DIE WELT his position on the entire group of issues in its context. He stated: "Maintaining contact with the other side--this is my conviction--is the wish of Germans on the other side and, without any doubt, also the wish of Berliners. Sensitivity to political status invariably includes that. But there is a danger of one side or the other becoming biased:

"Status issues--as the example of SPD candidate Ristock shows--are being equated with 'incrustations' in order to increase contacts. I consider such a policy totally wrong and misleading. The other position is one of acting as though it were only a question of status and not of contacts at all. I consider this view just as wrong.

"Starting with the heart of the matter, in my view Berlin policy has the obligation, in the interest of Berliners here and of citizens on the other side, of participating in the political dialogue--in keeping with the wishes of the Federal Government. I discussed with Mr Honecker nothing other than issues which are also the policy of the Federal Government and which it stands behind."

Weizsaecker resolutely defended his discussion with the SED leader, stating that all details of its approach had been agreed upon with Chancellor Helmut Kohl, the secretary of the Office of the Chancellor, Philipp Jenninger, and Undersecretary of State Hans Otto Braeutigam and had also been approved by allied diplomatic envoys in Berlin during numerous informative talks.

Following his meeting, Weizsaecker had stressed repeatedly that any political-status exploitation of this meeting by the SED would result in "this having been the first and also the last discussion of this kind." Weizsaecker further confirmed: "The interpretation of my meeting with Mr Honecker, as submitted to the SPD, is in clear contradiction to what I arranged beforehand and at the beginning of our talk itself with Mr Honecker and which he confirmed to me."

Weizsaecker said that the "GDR" has naturally not abandoned its efforts "to further develop the issue of status in accordance with their aims. I consider Mr Mueller's conduct not so much a repudiation of my position, but an attempt to deviate from Mr Honecker's promises. I resolutely reject this attempt. On the other hand, I will not withdraw into a shell. I will see to it that Mr Mueller's remarks are clearly contradicted."

In his discussion with DIE WELT, Weizsaecker repeatedly referred to the "necessity of maintaining one's own viewpoint in discussions with the other side." Alluding to the SPD opposition, he categorically rejected "also paying the price for another political party" allowing itself or being willing to be taken advantage of by the other side.

In this connection, he referred to the controversial remarks of the SPD's leading candidate, Harry Ristock. He had long considered a discussion of East Berlin's function as a capital to be conceivable and had spoken of West Berlin as a "thorn in the side of the GDR"--one of Honecker's expressions. "I don't want anything to do with all that," Weizsaecker emphasized very firmly.

12580

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EVOLVING DEBATE ON NATIONALISM, NEUTRALISM

Hamburg DER SPIEGEL in German 28 Nov 83 pp 17-21

[Unattributed article: "Where Is the Germans' Fatherland ?"]

[Text] The Bundestag has made its decision: the Pershing nuclear missiles will be deployed. The clear position taken by the SPD at its party congress against the new U.S. weapons, the doubts expressed by the peace movement in the NATO alliance are raising questions as to where the Germans stand—particularly in foreign countries. Is the SPD eyeing neutrality as a way of overcoming the division of Germany ? Or can the national issue only be resolved within the Western alliance ?

On the second day of the missile debate in the Bundestag last week—after the big guns had had their say—two deputy fraction chairmen brought the dispute between the coalition and the opposition back to essentials once again.

Volker Ruehe, the CDU/CSU foreign policy spokesman, mounted a frontal attack against the SPD. "By going back on its word; by saying no to the NATO two-track resolution, the SPD has shown that it is no longer fit for NATO and that it is no longer fit for the alliance as such," he said.

Are the Germans—particularly the social democrats among them—in favor of neutrality ?

Horst Ehmke, Ruehe's SPD counterpart, called it all "defamatory." No one disputes "the fact that our country's security can only be guaranteed inside the alliance," Ehmke said. On the other hand, NATO is "not a substitute for world power," he added. "It is not a no vote but a yes vote in favor of deployment which poses a threat to Europe."

Are the Christian Democrats moving in the direction of abandoning the limited independence of German policy in favor of submitting to the United States ?

The questions have been asked but they have not been answered. A few hours later, the Bundestag majority composed of members of the CDU/CSU and the FDP voted for deployment of the new U.S. medium-range weapons. 14 hours after that, the Soviet Union walked out of the disarmament talks in Geneva and 24 hours later, the first Pershing II components started arriving at Ramstein Air Base.

The political dimension—or should we say: vision—goes further than that. It amounts to more than just another turn in the arms spiral. The political pundits in the FRG—and in the GDR—and even more so the Germany watchers abroad are increasingly concerned about the question of whether the limited sovereignty of the West German rump state is historically fixed for all time and whether its position inside the Western community is unshakable.

For another thing, it is a question of the broken national identity of the German people.

Are the new missiles in West and East an additional factor contributing to the alienation between the two parts of Germany? Or does the (vain) search for the meaning behind the excessive arms buildup turn up new linkages instead which are of greater significance than the idle talk about reunification that marked the fifties?

At any rate, the dispute about the missiles constitutes the greatest upheaval in German postwar history since the debates about integration with the West and rearmament. In the eyes of the parliamentary minority which lost last week's Bundestag vote, the parliamentary majority reached a decision which ran counter to the will of the majority of the voters. For the first time since the late fifties, the question of membership in the military alliance is being seriously discussed, if only inside the peace movement and the left wing of the SPD for the moment.

Inside the traditional political parties in Bonn, the FRG's Western connection is still (?) undisputed. But there is a profound difference of opinion as between the conservatives and the social democrats on how German security interests are best served.

CDU chancellor Helmut Kohl and his FDP foreign minister feel that the FRG's security is best guaranteed by "closing ranks" with the United States, as Hans-Dietrich Genscher has put it.

"Ever since he assumed the chancellorship," CDU fraction chief Alfred Dregger says of Kohl, "harmony has returned to the alliance."

But as far as opposition leader Hans-Jochen Vogel is concerned, this type of harmony is not only detrimental "to German interests" but also to those of the alliance. Kohl, he says, cannot distinguish "between friendliness and obeisance or cooperative integration into an alliance and the abject feudal fealty of a vassal."

Which of these views is the correct one? Is Franz Josef Strauss' BAYERN-KURIER right in saying that "the way of the SPD toward national neutralism has already been programmed?"

Or is CDU general secretary Geissler right? "The rejection of arms modernization by the SPD represents the beginning of a fundamental shift in its foreign policy stance which in the long run will take the FRG out of NATO into a political no-man's land," he says.

This type of hue and cry, of course, is part of the ritual of professional politicians—it does not have to be taken seriously. In foreign countries, the questions are raised more seriously and less polemically but with deeper concern—at times even in a "greatly exaggerated" way, as right wing SPD Professor Richard Loewenthal has said. Dietrich Stobbe, former lord mayor of Berlin, listened to American commentators debate the issue during a lengthy stay in New York. "They are using such slogans 'a neutral Germany,' 'Finlandization,' 'search for identity' and 'reunification' in a funny, mixed-up sort of way," he relates.

Our West European neighbors are quite apt to share such concerns as though the Europeans did not trust a parliamentary majority to halt the drift of the West Germans. "National consensus is no more," the Italian newspaper LA STAMPA wrote. And the LONDON TIMES warned: "It is dangerous for others to ignore the wrought-up emotions of the Germans" and NOUVEL OBSERVATEUR commented: "Behind this mass movement against arms modernization, a new national feeling is emerging."

Socialist Jacques Huntzinger, the adviser of French President Mitterand, calls that feeling by its proper name. "In the past," he says, "we used to be afraid of German militarism; now it is German pacifism we fear."

From the German point of view, of course, this is not so easy to make out. But French political scientist Pierre Hassner puts it this way: "The German problem is back with us again." And his colleague, Pierre Lellouche, the director of the Paris Institute for International Relations says "the German question is back on the table." And in a SPIEGEL interview, Franco-German author Alfred Grosser comes right out to warn of the possible consequences. "A neutral zone in Central Europe would constitute an enormous war threat," he says.

In fact, much of what has transpired in the relationship between the two Germanys over the past several months has revived fears of the unpredictable nation in the heart of Europe. There was the CDU/CSU continuing to carry on the same intra-German policy without batting an eyelash which it had simplistically opposed for more than a decade. And the money end was provided by none other than Franz Josef Strauss who once would have gloried in bringing down the basic treaty before the constitutional court.

No less surprising was the stand taken by the 'other' Germans. After a short break—with an eye to the 6 March elections—Erich Honecker unity socialists went back to business as usual—with the new conservative team in Bonn. Although Moscow had placed the GDR in the van of the propaganda war against Western arms modernization, East Berlin began weaving a tighter network of negotiating contacts with the West German class enemy than it had in a long time. Even SED chief Erich Honecker no longer shrank back from blowing the national horn. He, who had tried throughout the seventies to all but expunge the word 'German' from the GDR vocabulary, was now speaking "in the name of the German people" and of the Germans' "joint responsibility" for peace.

And strange as it seems, the GDR political leaders, who possess no democratic legitimacy, are more in tune with the East German population than the freely elected Bonn government is with its population. "They do not want any new missiles, come hell or high water," an official in the chancellor's office told us. Honecker went public with the otherwise sorely lacking harmony with the population. The official SED newspaper NEUES DEUTSCHLAND published a letter from a Dresden church congregation condemning deployment of new missiles in West /and/ East Germany.

There we have the German-German situation in 1983. There is a common fear among the population of nuclear war and the depressing sensation of already having been factored into the battlefield plans; of merely being bit players in the power struggle of the superpowers.

According to a recent Sinus Institute survey, the number of West Germans who feel that /both/ superpowers are a "threat to peace" has doubled over the past 3 years. 38 percent of the population (as against 20 percent in 1980) are "convinced" today that the United States and the Soviet Union "view war as an 'instrument of policy.'" According to the Sinus study, the opinion shift has occurred "at the expense of the United States" which earlier had been viewed "as the genuine force for peace in much stronger terms."

In like manner, the already high approval rating for cooperation between the two Germanys rose yet once more in times of East-West tension—from 72 percent in 1981 to 86 percent. "In this regard, too, we are witnessing a growing need for an independent FRG policy not dominated by the superpowers—regardless of which political parties are at the helm at a given time," the Munich pollsters conclude.

This has nothing to do with neutralism. The Sinus survey shows that 29 percent of the population favor military neutrality today (as against 18 percent in 1981).

In the GDR, similar sentiments have been on the rise over the past few years. The most visible expression is the originally anti-SED peace movement which bears the primary imprint of young Christians. One German policy expert in Bonn believes that the idea of a "neutralist-pacifist" German way would be far more acceptable in the GDR than in the FRG.

On the missile issue, the SED leadership faces the same problem as the West German government. It has a difficult time selling its citizens on the arms post-modernization with short-range missiles forced on it by the Soviets. In GDR factories where it would be an easy matter to collect signatures against the U.S. missiles it is not easy to get people to sign solidarity statements on the new Soviet missiles.

At the same time, there is a growing feeling among the East Germans that they are being abandoned by the very people who are otherwise always talking about German unity and their responsibility for all the Germans—because it is the population of the GDR above all which has to pay for the Bonn decision on missile deployment. The citizens of the GDR will not only have to share in the cost of the new Soviet missiles but will also be most directly affected by the hardening of East-West relations—as a result of palpable restrictions on human contacts, which are meager enough as it is.

CSU Land organization chief Theo Waigel confidently announced in the Bundestag last Monday that in reaching its decision on missile deployment the CDU/CSU "took all the relevant aspects into consideration including not only military strategy but also policy as well as social and moral issues." Dirk Schneider of the Berlin fraction of the Greens interjected: "I suppose you also thought about the GDR."

Erich Honecker, who was praised by his own Politburo last Thursday for his intensive lobbying of West German politicians prior to the Bonn deployment decision, only had the GDR in mind. In the past, the FRG was viewed as the primary threat. In the past, the SED leadership needed a tense relationship with the FRG. Now the SED goal is to keep the economic and political lines open—not because of all-German considerations but in its own interest.

"The government of the GDR," says German policy expert Peter Bender, "has fewer problems inside its own country this way. It establishes a better relationship with its own population and it becomes the representative of the GDR as a whole, if it sees to good relations with the FRG."

Even those who, like Chancellor Kohl, have of late been speaking of German unity to Moscow again, are far removed from any real thought of re-

unification. Those are just empty words. Essentially, the CDU/CSU is just going through its deceptive maneuvers of the fifties once more. By promoting a kind of second round of integration with the West and being obedient vis-a-vis the United States, the party is simultaneously talking more about reunification and thereby trying to suggest that it is the one that serves all-German interests best.

In the social democratic camp, the situation is somewhat more confused. "The primary motive for the shift in the SPD's foreign and security policy is to be found in the lack of clarity regarding the importance of the national issue as well as the relationship between German interests and the interests of the alliance," says Freiburg historian Heinrich August Winkler.

SPD pundits like security expert Wilhelm Bruns are well aware of this lack of clarity. Referring to Hans-Jochen Vogel's campaign slogan "in the German interest," Bruns says: "Thank God, nobody asked exactly what that meant."

But subliminally, the idea of more independence seems to be a winner. "The SPD will try to portray itself as the genuinely patriotic party which is not simply the executor of American desires like the CDU," one CDU minister has said.

Richard von Weizsaecker, Berlin's CDU lord mayor, refers to a "Yalta nausea" in the FRG. The division of Europe into "spheres of interest" by the victor nations in 1945 is increasingly being viewed as a potential "threat to peace" by many people, the federal president-to-be says.

The most applause at the SPD party congress in Cologne weekend before last was heard whenever someone criticized Ronald Reagan—no matter whether it was Helmut Schmidt or Egon Bahr.

The fact that the SPD said goodbye to Helmut Schmidt's two-track resolution by a 97 percent majority reminiscent of votes in East Germany surely has more to do with displeasure over Reagan's policies than with any neutralist yearnings.

The party leadership is aware of the danger that this could put the alliance in question over the long term. There was a greater consensus on the need for ties to the West than there had been in some time. "That was of greater importance than the rejection of the missiles," Loewenthal said.

Bahr points out that the security debate cannot be carried on alone. "The blocs can only be overcome by staying inside them and working with them," he says. "Detente can only continue inside and with the help of the blocs. Success can only be achieved by working with the world powers and not against them."

Such views are no longer self-evident to those sympathizing with the peace movement at the grass roots level in the SPD. Among the motions tabled at the Cologne party congress were some containing hardly veiled skepticism regarding NATO. "The FRG must begin questioning its membership the moment the alliance no longer takes our particularly exposed position into consideration in its strategic planning," a motion offered by the Harburg sub-district read.

Others in the SPD are building on the illusion of an alternative, strictly defensive security posture at no cost. "The removal of nuclear weapons from European soil must not be predicated on or followed by conventional rearmament," the Hesse South district said.

With an eye on the peace movement, Horst Ehmke stated that "the strategy debate inside the SPD is merely a foretaste of what we will be dealing with in the future."

Rather than let it all fall apart, SPD chief Willy Brandt would rather lay down the guidelines for both the fraction and the party debate on security policy. "What was approved by us at the party congress amounts to a vote of confidence in the alliance as well as a vote in favor of reforming it."

In the Bundestag, Brandt therefore came out in favor of creating zones free of nuclear and chemical weapons.

In this, Brandt goes a step further than other prominent SPD leaders. In a debate on a presidium proposal on new strategic concepts, Hans Apel, Oskar Lafontaine and Egon Bahr reached a minimum consensus on submitting a 300-kilometer wide nuclear-free zone separating NATO and the Warsaw Pact for approval. This proposal by Swedish Prime Minister Olof Palme is just about the limit of what Apel will accept.

Apel worries that those in the SPD who are totally committed to doing away with nuclear weapons might agree on calling for a unilateral FRG ban on this "infernal stuff," in Brandt's words, even if the East does not follow suit. And that, as far as Apel is concerned, would mark the beginning of the road toward neutralism.

In the view of a loyal Brandt adherent like Gerhard Schroeder that amounts to "unhistorical thinking" on Apel's part. Following World War II, the Allies purposely isolated the two Germanys from one another, Schroeder's reasoning goes. If a movement in favor of neutrality were to originate on German soil today, the erstwhile allies in East and West would join hands soon enough to oppose any experiments.

In the opinion of French deterrent strategists, the appropriate counter-measures were initiated last Wednesday. "The Pershing II on the soil of the FRG takes care of the German problem for the next 20 years," says Socialist Huntzinger.

Does it really ?

COUNTRY'S SWEDISH-LANGUAGE LEFTIST PRESS IN ECONOMIC CRISIS

Helsinki HUFVUDSTADSBLADET in Swedish 2 Nov 83 p 18

[Article by Staffan Bruun]

[Text] The Swedish-language leftist press in Finland is in an economic crisis. NY TID has laid off one worker and given editor in chief Johan von Bonsdorff a 3-month unpaid vacation. The circulation of ARBETARBLADET continues to drop. Cutbacks in the number of days it is published each week are being considered. Only ENHET maintains that all is well.

The crisis at NY TID developed after the losses in the parliamentary elections.

At that time, government subsidies to the paper dropped sharply. NY TID then had to achieve acceptable economic results, i.e. avoid losses.

The first step taken was to lay off Ingegerd Asplund. The remaining four editors agreed on a system whereby they would take turns being laid off without pay.

The first turn was taken by Gert Soderholm. Now editor in chief Johan von Bonsdorff is taking a forced vacation. He will return at the beginning of next year.

"I believe these special measures will yield positive results. There are no current plans for additional layoffs," Johan von Bonsdorff said.

According to him, the federal council of DFFF (Finnish People's Democratic League) has decided that NY TID will continue to be published as before.

"This was said in connection with the press decision made by FKP (Finnish Communist Party). This means that the newspaper will survive and that cooperation with ENHET will not occur."

NY TID will be 40 years old next year. Johan von Bonsdorff anticipates no major changes during the anniversary year, despite speculation that the paper will merge with ENHET.

"Of course, the publisher could decide to do anything, but I have made it

clear that I will not remain as editor in chief if NY TID merges with ENHET. These two newspapers have followed completely different political lines for almost 15 years. There is no reason for them to work together."

"I certainly would not participate under those circumstances. I am convinced that it would mean the end to the People's Democratic Swedish-language press in Finland."

NY TID now has a circulation of just under 3,000, according to von Bonsdorff.

Circulation Dropping

In 2 years, the circulation of ARBETARBLADET has dropped by almost 400 to 3,700 copies.

"Primarily, we have eliminated free copies. But subscriptions also have declined somewhat," said editor in chief Alf-Erik Helsing, who heads the editorial staff of three members.

According to him, the number of issues per week may have to be reduced. ARBETARBLADET is now published three times each week.

"The drop in advertising revenues could force us to make additional cuts. The number of subscriptions is not decisive in this regard."

"We are trying to continue working as we did before, but if things go bad, then something must be done. In that case, we will not make personnel cuts as NY TID did, but will become a weekly newspaper. So far, however, this has not become necessary. I hope we can avoid cutbacks, despite our serious financial situation."

Alf-Erik Helsing does not believe there will be a merger with NY TID.

"That has been proposed at various times, but I believe it is some kind of joke. In practice, the merger would not work."

The crisis at NY TID will bring no new advertisers or readers to ARBETARBLADET, according to Helsing.

"On the contrary, our subscribers also will become discouraged. We have nothing to gain from the difficulties at NY TID."

ENHET For Merger

Klas Fransberg of ENHET favors cooperation with NY TID.

"We at ENHET are positive toward a merger or any other type of cooperation."

There is no crisis at ENHET, according to Klas Fransberg. The newspaper

employs three editors and appears once each week. Circulation is now just under 2,000, according to Fransberg, but this includes free copies.

"We never have received party subsidies, so we are not dependent on such funds. ENHET is financed primarily by the 'Thousand Firm Wills' fund-raising campaign, which is held at regular intervals. In addition, we receive support from Tiedonantajayhdistys, which publishes TIEDONANTAJA."

Fransberg does not believe there will be any form of cooperation with NY TID this year.

"A decision could be made this year, but in practice it will be a difficult process to merge the two papers. No results will be visible before next year," Fransberg said.

9336

CSO: 3650/39

GREENS DEFY LABELS, SUPPORT SOLIDARITY, RIGHTS

Stockholm DAGENS NYHETER in Swedish 3 Nov 83 p 19

[Article by Kaa Eneberg]

[Text] Helsinki, Tuesday--Finland's environmental movement--the Greens, or "softs," as they like to call themselves--held their second party congress--excuse me, general meeting--over the weekend. Their most important decision was that they do not want to establish a political party with a government party subsidy and other criteria for being a part of the political establishment.

That was their decision even though they have made good progress since the parliamentary elections in March, when they managed to elect two representatives to Parliament. According to the latest public opinion poll, the movement has doubled its support to 4 percent of the electorate. But that was not enough to convince the members meeting in Jyvaskyla of the advantages of becoming an accepted political party.

"Politics in itself is false and deceitful, and we want to continue for as long as possible to work the way we began many years ago." So says Ville Komsu, 37, a student of architecture and one of the movement's two members of Parliament.

The influx of supporters, which can be seen, for example, in the establishment of new local associations all around the country, does not surprise Komsu.

"We know that we have a good many sympathizers even in the established parties: people who think as we do when it comes to important social issues. But those are people who perhaps are not yet ready to leave their parties. I believe that it is dangerous today to start enrolling those people as belonging to us--with membership books and all that. It only scares them away. Here it is a matter of a political process."

The movement lacks leaders just as it lacks a definite form. And for Komsu, it was natural to suggest that we call in his colleague in Parliament when we wanted to talk about the Greens. That colleague is wheelchair-bound Kalle Konkola, who is regarded as the member of Parliament representing the handicapped.

The Finnish press has written more about Konkola's problems with his wheelchair on the marble steps than about his speeches and more about Ville Komsu's alleged

problems with clothes and his unconventional, somewhat provocative chitchat than about his political message.

Clothes Changing

Ville Komsi's changing of clothes in the restroom at the presidential residence is well-known to the entire nation, and he is never interviewed without his coming out with comparisons like this: "Parliament is as unavoidable as having to empty the honey bucket in the outhouse" [more graphic in the original].

Why this political clowning?

"The outward thing--changing my clothes at the president's residence--was never deliberate, as many believe. I had just come from the pediatrician's office, and my private life was a mess. And then I suddenly had to be all dressed up at the president's house. All he was going to do was ask us what we thought about the future government, so why did we have to be dressed up as though for a reception? I didn't understand that."

Ville Komsi says that his only ambition in this "show" was and is not to change his personality, but to be himself.

"Many people say that one can yield on these minor matters so as to save one's prestige for something big. But I say that if one gives in on minor matters, it becomes easier to give in on big matters as well. And why should one sit around waiting for big matters that may never come up as long as one lives?"

Charging in

The doormen at the fine marble entrance have now gotten used to seeing Ville Komsi charge in like anyone off the street and, in the midst of the formalities, take off his boots and woolen socks and slip into gym shoes. And since the election, an inclined ramp has been added to the marble steps to accommodate the wheelchair used by Komsi's colleague in Parliament. One example of the formality and deceitfulness which, Komsi says, his movement does not want to imitate is Parliament's recent debate on extension of the friendship and mutual assistance treaty with the Soviet Union. He has nothing against the treaty in itself, but all the phraseology and fine words were superfluous and proof of political deceitfulness, he says.

Komsi does not understand the jokes made about the movement being a collection of odd characters and opinions.

Komsi says: "I am proud that we have attracted the entire spectrum of environmental people: the women's movement, the peace movement, people who want vegetarianism, people who want to support aid to developing countries, and the handicapped."

Liberal

He himself was once a Liberal and even ran as a candidate on the free Liberal ticket in Helsinki until 1976, when he defected from the party.

"I left the party because the Liberals were then working for rapid growth in Helsinki. I did not want that, and some of us decided to establish our own group."

The movement lacks a party program, but Ville Komsí outlined its goals:

"Reduce foreign trade instead of having it as our chief goal to increase it. Increase national independence from foreign markets. Finland should not strive primarily to be number one in market after market. Employment should not be seen as something sacred in itself. A person's worth should not be measured solely by what society pays him. The alternative to unemployment should not be twiddling one's thumbs or drinking beer, but other meaningful and valued employment.

"Increase electricity rates and increase taxes on unnecessary goods and services."

Komsí points out that by raising taxes on those items, it would be possible to guide the development of society.

The Greens have been viewed as a party of discontent in the same way as the nonsocialist Rural Party, which is also picking up support in the public opinion polls.

Komsí, who is neither a socialist nor a nonsocialist, says that the groups have a lot to unite them:

"But they have simpler answers than we do." He points out that there is a great deal of cooperation between them in Parliament.

Foreign Affairs

Concerning foreign policy, which does not allow Finnish politicians much elbow room, Komsí says spontaneously that he has long been a member of Amnesty International and that he supports Poland's Solidarity. His first question in Parliament was concerned with a plan to collect signatures in support of Solidarity. The plan had been vetoed by county authorities. The matter is now before the government, and Komsí intends to follow up on it. Like aid to developing countries, human rights are one of the foundation stones of Komsí's growing movement.

11798

CSO: 3650/25

FINNISH PRESS BACKS LETTER FROM KOIVISTO ON RESTRAINT

Stockholm DAGENS NYHETER in Swedish 25 Nov 83 p 24

[Article by DN's Helsinki correspondent Kaa Eneberg: "Birthday Greetings--Finnish Press Positive on Koivisto's Letter"]

[Text] Friday is a major official holiday in Finland. It is President Mauno Koivisto's 60th birthday, which is formally celebrated by, among others, the total press corps, which with few exceptions considers that the president's recent written warning to the press is entirely consistent with the national interests.

The week before the birthday was overshadowed by a debate about the secret letter which the president, in strictest confidence, sent to about 30 chief editors. In the letter, which he did not want published, he expressed his dissatisfaction with the unduly free foreign policy debate going on.

Several newspapers have expressed their annoyance that some in the close group "betrayed" the president and allowed the contents of the letter to leak out via the news bureau TT [Tidningarnas Telegrambyra].

At the Presidential Palace, however, it is reported that they are not out after anyone's scalp, and do not object to the leak about the president's concern over the outspoken debate at an "inconvenient time." Since the story was first printed in Sweden, it has been free game to publish "the Swedish information" here in Finland. A source with whom DAGENS NYHETER spoke said, however, that the leak occurred with the approval of the palace.

Most newspapers that commented on the letter have referred to Swedish reports despite their chief editors belonging to the group which must have received it. One chief editor chose to be interviewed by a reporter from his own newspaper.

Not a Word

One leading newspaper which has not printed a word about the letter is the very influential center newspaper SUOMENMAA. Its chief editor Seppo Sarlund,

known for his confidential contacts with the industrious, letter-writing Urho Kekkonen, told DAGENS NYHETER:

"The letter was of course entirely confidential, and naturally it will not be published. This debate has really not been good for Finland."

Sarlund pointed out that his newspaper in its foreign policy commentaries always remains within reasonable limits.

"For example we have not entered the debate about Finland's voting procedures in the UN on the first use of nuclear weapons. Our foreign policy line has always been completely in agreement with the president and Foreign Minister Paavo Vayrynen," said Sarlund.

Gloomy Forbodings

The Social Democrats' party organ SUOMEN SOSIALIDEMOKRAATTI writes that the worsening situation largely concerns Finland, where the deployment of the new NATO missiles "raises gloomy forbodings." In this situation it is important that the foreign policy line is stable, peace-loving, cooperative and based on national tolerance.

The newspaper became especially incensed about those newspapers which, partially through their letters to the editor columns, expressed criticism about neutral Finland voting in the UN for a condemnation of the United States invasion of Grenada, but not of the Soviet presence in Afghanistan.

The newspaper also lashed out at the conservative evening newspaper ILTALEHTI--"one of the worst spoilers." ILTALEHTI was probably the only newspaper which interpreted the president's letter as an attempt to "put a stop to the debate."

Avert the Threat

The communist newspaper KANSAN UUTISET which for a long time has editorially called for national unity in foreign policy expressed itself on the threat to the freedom of expression in Finland as follows:

"It is natural that those who have responsibility (for foreign policy) hope that the nation's press will support foreign policy decisions made."

Foreign Minister Paavo Vayrynen has recently openly expressed concern about the effect on Finland of the deployment of NATO missiles. In a speech in Rovaniemi he said that Finland must be prepared to avert the threat from cruise missiles. His party organ SUOMENMAA agreed by speaking of increased defense appropriations, "dictated by necessity if new missiles are deployed in our vicinity."

On Thursday President Mauno Koivisto signed the document of ratification extending the friendship and mutual assistance pact with the Soviet Union

until 2003. Also on Thursday, as the first birthday guest, Soviet First Vice President Vasiliy Kuznetsov arrived in Helsinki.

The exchanges between the neighboring countries are being diligently pursued. Next week discussions begin on exchange of trade during the next period of the pact. In December Prime Minister Kalevi Sorsa will travel to Moscow to sign that agreement. That will happen shortly before Foreign Minister Paavo Vayrynen's official visit to Moscow on 13 December.

In the UN Finland has, in accordance with its policy of neutrality, refrained from voting to condemn the Soviet presence in Afghanistan. On the contrary, they have supported the resolution approved by the Soviet Bloc according to which the nuclear powers will refrain from first use of nuclear weapons.

9287

CSO: 3650/54

EFFORT TO REDIRECT FOREIGN POLICY IS FROM WEST, NOT USSR

Stockholm INTERNATIONELLA STUDIER in Swedish No 5, 1983 pp 26-28

[Commentary by Jukka Nevakivi, history professor at Helsinki University; translated into Swedish by Erik Holm]

[Text] In a speech to the Paasikivi Society in Helsinki on 27 November last year, President Mauno Koivisto welcomed a public, frank, and objective debate on foreign policy issues. But he reminded his listeners that under the Constitution (in force since 1919), it is the president who decides how Finland will develop its relations with other countries. It was a well-defined call for participants in the essentially free and colorful exchange of views concerning Finland's foreign policy that had started after Koivisto's election as president.

Viewed from Stockholm, it may naturally seem odd that the public should need permission and even encouragement to discuss foreign policy. But in Finland, for obvious historical reasons, there has come to exist a self-imposed reticence in that area.

President Paasikivi was in the habit of calling the editors in chief of Helsinki newspapers to order and reminding them that even if censorship no longer existed, Finland had no Baltic Sea between it and the neighbor to the east and that it was advisable not to provoke that neighbor with unnecessary polemics. He quoted Bismarck by saying that the press should not "smash the windowpanes" of official policy, which was based on good relations with that neighbor.

Kekkonen's Early Experience

Paasikivi's successor, Kekkonen, who was remarkably tolerant at the start of his first term of office, gained his early experience during the crisis of 1958--the "night frost"--and called on the press to keep strictly to the course laid down by Paasikivi and to regard it as Kekkonen's own. Kekkonen did not hesitate, even in Nikita Khrushchev's presence, to publicly profess his allegiance to Western, democratic ideals. But he disapproved of all speculation in the Finnish media concerning alternatives to the Finnish foreign policy that was being pursued. He was afraid it would give the Soviet Union the wrong idea about Finland's intentions.

The gruff and authoritarian brand of leadership practiced by that long-ruling president left its mark even outside the sphere of foreign policy. Rightly or wrongly, it unquestionably created an atmosphere of a lack of freedom. As soon as Kekkonen's grip no longer existed, public opinion began to behave somewhat like a calf turned loose in a pasture.

Post-Kekkonen Speculation

The post-Kekkonen period was initiated last year by Dag Anckar, a colleague of mine from Turku University, who delivered a lecture at the Foreign Policy Institute on 17 February 1982--1 month after Koivisto's election victory (see *INTERNATIONELLA STUDIER* No 2, 1982). Anckar suggested that Finland no longer needed the Treaty of Friendship, Cooperation, and Mutual Assistance with the Soviet Union that had been signed in 1948. On 20 February 1983, almost a year after that suggestion, Arne Saarinen, former chairman of the Finnish Communist Party, said that Finland would be forced to strengthen its border defenses against Norway if that country did not guarantee Finland by treaty that Norwegian territory would not be used as a staging area for attacks on the Soviet Union through Finland.

That, combined with public speculation at the same time that Finland had not prohibited the possible introduction of foreign nuclear weapons and hints that this might be used to force Norway to accept the idea of a Scandinavian nuclear-free zone, eventually became too much for Koivisto to swallow. After all, he was scheduled to make an official visit to Norway during the second week of March, and speculation concerning Finnish foreign policy "alternatives" in relations with that neighboring country was bound to jeopardize the success of his visit before it even took place.

Koivisto's Unwelcome "Advisers"

Before leaving for Oslo, the president had a choice opportunity to comment on the foreign policy debate when he addressed the closing session of the 1982 Parliament. That solemn background to his speech was later criticized as being poorly chosen, since Koivisto used extremely harsh and sarcastic terms to condemn his unwelcome foreign policy "advisers."

For one thing, there was a caustic allusion to lack of knowledge on the part of sociologists when they pose as advisers to political decisionmakers. There was surprise at that attack, since the president himself has a doctorate in sociology and most professors of sociology, at least in Helsinki, had signed an appeal urging Koivisto's election as president.

Koivisto said: "I am willing to believe that sociological research can indeed provide information on what the future holds in store. It is very easy to predict recurring phenomena that occur in great numbers. But when it comes to predicting exceptional phenomena, sociologists have no advantage over fortune-tellers."

He claimed that the foreign policy debate, which had frequently been carried on by university people and classified as academic, was actually political in

nature and, in fact, a contest to see "who dares to say what." The views expressed had been a big hit with the press, and that had forced him to take action "so as not to jeopardize the legacy from Paasikivi and Kekkonen."

Insult From NATO

Does this mean the end of a free foreign policy debate? No, such a thing is scarcely possible in Finland today. But the president has now signified what he considers the limits to such a discussion.

In this connection, one needs to take into consideration the extremely unconstructive and speculative nature of the latest phase of the post-Kekkonen debate, with its own new indications of foreign interference. Since Koivisto took office, the Soviet side has been remarkably correct in its behavior. Actually, the interference has come from the other side in the form of statements and even interviews that have been actively sought and printed by Finnish newspapers.

A striking example of this was an article published by HELSINGIN SANOMAT early in 1983. In it, the NATO commander in Europe, General Rogers, expressed doubt that the Finns would offer resistance to Soviet troops attempting to advance through Finland on their way west.

Naturally, that statement was construed first of all as an insult in Helsinki. It was not only because of their performance in World War II that the Finns felt offended by the assertion that they had lost their spirit of resistance. It is in the interest of the Finns, as it is of any country not belonging to the military blocs, to convince the rest of the world that they will fight to defend their country if necessary and that they are serious about sticking to their neutrality. By claiming the contrary, the NATO commander actually harmed Finland's credibility and its national interests.

It may seem that the Finns lack a sense of humor and take soldier politics too seriously. But the statement by Rogers was irritating precisely because it came at such an inappropriate time. People in Finland did not like all the talk about "Finlandization" during the 1970's, above all because it came so long after World War II and at a time when the country's self-achieved freedom in relations with the West was greater than ever.

Stronger Defenses

Oddly enough, Rogers' statement also came at a time when exceptional steps had been taken to strengthen the defense of Finnish Lapland north of the Arctic Circle. It is a known fact that one-third of Finland's ground forces and about half of its first-line fighter planes have been concentrated there. Actually, Finland has more forces there now than it ever had during the last two wars except in 1944, when Finnish forces were sent to Lapland in great numbers to drive out German troops.

There are newspaper reports that Finland plans to increase its new complement of British Hawk fighter planes and that more Draken fighter planes are going to

be bought from Sweden. The Finnish Government has already decided to reduce its trade surplus with the Soviet Union by buying Soviet military equipment worth 450 million marks. In addition, as a result of a decision made on 24 February, it recently ordered Swedish RBS-15 antiship missiles at a cost of 200 million marks for the four new missile craft now under construction. At the same time, it has been confirmed that there is an order with the United States for antitank missiles of the TOW type. Presumably, these will be deployed in northern Finland.

Credible Neutrality Policy

Against the background of those measures, Finland's policy of not allowing any power vacuum within its borders ought to merit some credibility. There is reason to point out that that credibility must have a double purpose, since it is out of the question that Finland should act as a forward defense post for the Western side. Finland is also obligated to defend its territory against an outside power wanting to use the country as a corridor for an attack on the Soviet Union.

As far back as 35 years ago--on 6 April 1948, when the often-referred-to pact with the Soviet Union was signed--the preamble to that treaty carried a clear statement confirming Finland's aspiration to stay out of superpower conflicts. Has anything changed since then, and is there anything to indicate that Finland's desire for neutrality has diminished since 1948?

Two recent statements by Koivisto answer those questions with a no. In a speech to Parliament 1 day before his departure for Oslo and at a press conference in Oslo, he emphasized that nothing had changed since the time of Paasikivi and Kekkonen. And if there are any subtle deviations from earlier practice, it can be seen that Koivisto's method of ensuring continued neutrality is being stressed through military measures, which were unusual in the period from 1948 to 1982.

Kekkonen used to stress that political means had priority where Finland's defense was concerned. He did so to such an extent that he even warned against sizable increases in military defense. In his 1968 election campaign, for example, he claimed that a sudden military buildup in Finland's case--an "arms race with no competitors"--was not desirable either politically or economically: it would be of little use and might arouse suspicions concerning Finland's intentions.

Koivisto, on the other hand, prefers to strengthen Finland's credibility by strengthening its military defense. At his press conference in Oslo, he even used the argument that by increasing its military strength in Lapland, Finland would save NATO and the Warsaw Pact the trouble of keeping larger forces concentrated in the neighboring Nordic areas.

Diplomacy the First Defense

Koivisto naturally does not go so far as to say that Finland's security problems can be solved only by military means. He agrees with Kekkonen that diplomacy is Finland's first line of defense.

Speaking to the press in Oslo, Koivisto again confirmed his belief in negotiation. In doing so, he ventured to dissociate himself from Prime Minister Willoch, who for his part had told visiting Finnish reporters that he did not have the slightest trust in the Soviet Union when it came to carrying out treaty obligations.

The Finnish view of the importance of diplomacy--a view shared by both Kekkonen and Koivisto--is just the opposite. It may seem naive, but the Finns still believe in "pacta sunt servanda"--that is, treaty obligations must be fulfilled. In the first place, this must be done to protect international politics from chaos. In the second place, the more treaty-like arrangements there are, the less tense and unstable the situation tends to become. In the third place, if obligations were violated and treaties repudiated, there would be a general crisis of confidence, perhaps an end to constructively oriented relations between states, and even open demonstrations of distrust that could have serious international repercussions.

Tradition Bequeathed by Kekkonen

The relatively high level of activity that characterized Finnish diplomacy during the final phase of the Kekkonen period can also be easily discerned in Koivisto's actions. Only the style--erroneously called "low in profile"--differs.

A glimpse of that could be caught during the visit to Norway. Koivisto demonstrated an approach differing from that of Willoch, who declined to discuss Kekkonen's 1965 proposal concerning a treaty that would guarantee the inviolability of the Norwegian-Finnish frontier. Koivisto pointed out that treaties were not necessary if mutual statements could serve the same purpose.

In the future, despite his pragmatism, Koivisto will almost certainly continue to keep alive and even develop other initiatives by his predecessor--especially the proposal for a Scandinavian nuclear-free zone.

From that standpoint, it can be assumed that the Finnish Government was pleased with Prime Minister Olof Palme's proposal aimed at reducing the risk of nuclear war in Europe. It may be appropriate to recall that there is historical proof that Kekkonen himself was once interested in bringing up a similar proposal.

The first time that happened was in 1953-1954, when Kekkonen felt that an independent and neutralized Austria could act as the initiator in stretching a neutral buffer zone between the two big power blocs from northern Europe to the Alps and perhaps even to Yugoslavia, taking it all the way to the Mediterranean. The second time was in 1965, when he presented Norway with a proposal concerning the possibility of strengthening Finland's security by establishing a network of bilateral arrangements beginning with Norway.

Since relations with the Soviet Union had been settled by the 1948 treaty and good-neighbor relations with Sweden were guaranteed by historical ties, the only remaining line of march was to the south. In that connection, Kekkonen was thinking seriously of proposing something to secure Finland's sea flank in

the Baltic area. But it cannot be established whether he was thinking of a bilateral agreement with the two German states or even a multilateral arrangement among all the coastal states involved. It is a fact, however, that the then secretary general of the Office of the President, Ambassador Eero A. Wuori, who was an old Social Democratic friend of Paasikivi's, warned Kekkonen against bringing up the problem of the Baltic: the time was "not ripe."

Support in Parliament

The high point in Kekkonen's personal diplomacy occurred during the first 3 or 4 years after his reelection in 1962 and the subsequent historic parliamentary election, when he was able to govern with a totally reliable parliamentary majority consisting of his own Agrarian Party (later the Center Party) and all the other nonsocialist parties. This is something that needs to be stressed in view of Koivisto's present position and the results of the latest parliamentary election.

The parties behind Koivisto's triumphant victory in last year's presidential election--the Social Democrats and the People's Democrats (and excluding Ehrnrooth's Constitutional People's Party and Vennamo's Rural Party, whose help was very limited)--won a little over 40 percent of the vote. Even if we add in the Center Party's much-reduced support and the share going to the Swedish People's Party, the total comes to barely 63 percent--that is, less than two-thirds of the total number of votes.

That is a long way from the figure during the 1940's, when Paasikivi launched his new foreign policy. He was able to count on support from the "big three" parties: the Agrarians, the People's Democrats, and the Social Democrats--that is, a total of three-fourths of the total number of votes.

It is possible that today's complicated situation, in which there is no guarantee of a lasting government coalition, could strengthen the president's position and increase his role as the guardian of continuity in Finland's foreign policy. Equally clearly, it is not certain that the signs of diminished support for the Center Party and the People's Democrats are only temporary. It is doubtful whether they can ever recover their former positions of strength. If they continue to decline and there is no corresponding increase for the Social Democrats--the results of the last election showed that half of those previously voting communist had left the socialist bloc--there will be no parliamentary guarantee for the present course of Finnish foreign policy.

Popular Support

But there is probably little reason to fear that any changes in the political constellation in the near future could influence the existing unity in principle concerning the Paasikivi-Kekkonen line. A well-prepared Gallup poll conducted on behalf of the Armed Forces information authorities at the end of 1981 suggested that over 90 percent of Finland's population supported the present course of foreign policy. But as time goes on and new ideas flow in to influence the country's politics, those ideas may naturally also influence certain aspects

of Finnish foreign policy. In that respect, the polemics will continue, and the anxiety among those standing up for the official policy will probably not diminish.

But naturally, that is a sign that life goes on. To quote what General De Gaulle said in 1968: "Only the dead have no worries."

11798

CSO: 3650/25

LIBERAL PARTY HINTS MAY BACK A SOCIALIST COALITION

Chairman Looking Toward 1985 Election

Oslo AFTENPOSTEN in Norwegian 15 Nov 83 p 3

[Text] "The Liberal Party's choice of a realistic coalition alternative will be determined by next year's political developments--and we will run on that alternative in 1985," said Liberal Party Chairman Odd Einar Dorum.

The statement was based on an article by Hans Hammond Rossbach, Liberal Party parliamentary leader, in DAGBLADET last Monday, in which he said that the Liberal Party cannot continue this wandering in the wilderness indefinitely: "We must get into position."

Rossbach feels it is time that the Liberal Party begin to maneuver into a government position, which the party leadership has wanted to do for some time. He points out that the Christian People's Party started to grow when the party entered a government coalition in the early seventies. The Liberal Party feels more on the sidelines than ever since the middle parties joined the government; the party has two representatives in Parliament.

Rossbach points to three government alternatives: the Liberal Party and the two middle parties in government today, a coalition between these three parties and the Labor Party, or a coalition between the Labor Party and the Liberal Party.

Dorum stressed that employment will be of vital importance to the Liberal Party as well as efforts to maintain social welfare and environmental issues.

"The debate about the Liberal Party's coalition alternatives is under way and has been for some time," said Dorum, pointing to the local election as being a "warm-up" session for the party.

Parliamentary Leader Rejects Progressives

Oslo AFTENPOSTEN in Norwegian 16 Nov 83 p 3

[Article by Anne-Lise Hammer]

[Text] "It is important that a smaller party be willing to enter a coalition," said Kjell Magne Bondevik, chairman of the Christian People's Party and a cabinet minister in the nonsocialist three-party government. His statement was clearly addressed to Liberal Party Chairman Odd Einar Dorum. Anne Enger Lahnstein, deputy chairman of the Center Party, also challenged the Liberal Party. "The aim must be to govern. Last fall's national budget showed that the middle parties have considerable influence, even in coalition with the Conservative Party." "Influencing the Conservative Party is not enough," was Dorum's answer.

The three of them joined Labor Party Deputy Chairman Einar Forde to debate the topic "Middle Parties in Norwegian Politics" before the Oslo Labor Society yesterday.

And Lahnstein also got a response from the Liberal Party chairman: "It is absolutely clear that we will never support a nonsocialist government which, directly or indirectly, is based on Progressive Party votes in Parliament." Dorum did not believe that the Conservative Party would ever be capable of a basic showdown with the Progressive Party-- "the Christian People's Party and the Center Party will undoubtedly be able to moderate the influence of the Conservative Party, but that is not enough," he said.

Forde in his comments concluded that it now appears that the Liberal Party, like the Labor Party, faces major opposition by the three government parties in the 1985 election. "Like the Christian People's Party and the Center Party I, too, would have chosen a coalition with the Conservative Party had I been in their position," he said, but added: "It is not enough to have a strategy to get in, you also need a strategy to get out, which the two parties do not have. Since the election last fall they have embarked upon a common destiny with the Conservative Party.

"The middle parties' function in Norwegian politics goes deeper than being a 'middle party' in economic policies. The middle parties are the center of gravity, which in particular facilitates the flow of public sentiment into Norwegian politics about the management of resources, decentralization and, not least, the question of values and norms," Bondevik said in his introduction.

"With respect to economic policies the middle parties combine two concerns, which are both important; the concern about government responsibilities and equality on the one hand, and the concern about private

initiative and ownership on the other. In my opinion, the Labor Party and the Conservative Party both attach greater importance to one or the other of these concerns," Bondevik pointed out.

He referred to the fact that the middle parties have been most effective in coalition with the Conservative Party and he characterized the Conservative Party's showdown with the Progressive Party in the budget debate clarifying and useful.

"As far as the Christian People's Party is concerned, the Labor Party has taken too negative a position on central philosophical issues," said Bondevik, minister of church and education.

He also believes that political developments in Norway may prove to be dependent upon the middle parties. "We are now seeing the development of fringe parties on the side of the Conservative as well as the Labor Party and it may be difficult for some of these constellations to gain a majority without the aid of the middle parties. Therefore, these parties will play a decisive role in Norwegian politics," said Bondevik.

Anne Enger Lahnstein, Center Party, agreed with Bondevik on most points, but pointed out that the center in Norwegian politics has undoubtedly shrunk. "Nevertheless, the aim must be to govern and to get maximum disbursement of the most trusted policies," she said. "A political party is not a debate club where you cultivate good thoughts and ideas and bask in your own excellence. Middle parties that feel too good or too weak to form a coalition with other parties become unexciting and weak. In reality, you thus renounce the opportunity to effect political developments," Lahnstein pointed out.

She noted with interest that the Liberal Party now wants to end what she called its wandering in the wilderness by pointing to a number of government models. But as far as Lahnstein could see, the Conservative Party is not one of the Liberal Party's possible government partners. She asked Dorum if last fall's national budget did not reflect considerable influence on the part of the middle parties, even in coalition with the Conservative Party.

Party Seeking Separate Identity

Oslo AFTENPOSTEN in Norwegian 16 Nov 83 p 2

[Editorial: "Restless Rossbach"]

[Text] After many years of wandering in the wilderness politically, the Liberal Party's parliamentary leader Hans Hammond Rossbach has had enough. "The party must get into government position," he told DAGBLADET. His outline for internal party debate prior to the next parliamentary election includes three alternatives: the Liberal Party together with the middle parties, the same parties plus the Labor Party and, as a third alternative, a coalition between the Liberal Party and the Labor Party.

Rossbach's dream probably goes back to the "Korvald model," but the Liberal Party's actions during the last few parliamentary sessions and its posture in the local elections last fall show that partnership with the Labor Party will be prioritized. The Liberal Party has rarely said anything more about Gunnar Knudsen's "testament" on a left-wing coalition by itself, and Party Chairman Odd Einar Dorum has reinforced this impression by calling last fall's local elections a "warm-up" session.

We can understand Rossbach's restlessness, but the Liberal Party's problems are more far-reaching than that. The party competes with the Center Party for voter support, with the Labor Party in the area of socialism and with the Progressive Party on the issue of self-inflicted isolation. The Liberal Party has not been liberal since Bent Roiseland and Helge Seip were forced to give up, which has also been reflected in their voter support since Roros. The party, which at one time had a clear majority in Parliament and was instrumental in implementing important social reforms, today is reduced to a mathematical entity in a seesaw situation.

This phenomenon has obvious parallels in other countries. After a short-term coalition with Jens Otto Krag, the chairman of the Radical Liberal Party in Denmark, Hilmar Baunsgaard, understood that the party could only gain renewed strength by means of a consistent nonsocialist coalition. The Free Democratic Party in Germany was almost torn apart by a long-term coalition with the Social Democrats and, in Great Britain, the Labour Party had to undergo a split before the Liberals dared enter into a coalition with the moderate wing.

The Norwegian Liberal Party's move in the direction of the Labor Party is not entirely new. We all remember the busy election eve in 1977, when Rossbach was running in and out of Prime Minister Nordli's office before it became clear that a socialist majority had been secured without the Liberal Party. Something similar could happen in 1985. But it is obvious that Liberal Party voters will be mentally prepared ahead of time for what might happen. That is, what is left of Liberal Party voters.

8952

CSO: 3639/28

NONSOCIALISTS TO FORM GROUP CHARGED WITH UNDOING 'FUNDS'

Stockholm DAGENS NYHETER in Swedish 25 Nov 83 p 2

[Editorial by OK: "Who Likes the Funds?"]

[Text] The wage earner funds are driving the nonsocialist parties together in a common opposition, with the reluctant support of the Communist Left Party. Motions from the four opposition parties on the government's wage earner funds proposal show that the situation is deadlocked.

The Conservative, Center and Liberal Parties reject the proposal with similar arguments. All three aim to achieve a nonsocialist majority in the election of 1985, and then liquidate the funds. A joint group will be created to work out how this will be done.

The various reasons which over the years have been given for the wage earner funds have been disapproved one after the other in the motions of the three parties. Wage earner influence does not grow if one considers the individual wage earner, capital supply for business is restrained because a greater share of resources is taken from it, wage growth is not restrained, one power concentration is substituted for another and the ATP [General Supplementary Pension System] is strengthened only by the barest margin. The arguments are well known. They deny the Social Democrats' unfortunate assertion that one single system will bring about a number of extremely desirable results.

Instead of the collective funds, the nonsocialists want to stimulate individual stock saving and profit-sharing systems tied to business. Furthermore the growth of smaller firms will be supported. However, this can only partly reduce the existing large power concentrations, which the Center and Liberal Parties explicitly indicate as a problem. And the profit-sharing system can only function in a profitable business, which can be a distribution problem.

VPK [Communist Left Party] wants to bring about greater social change than can be achieved by the wage earner funds. Special "social funds and local funds within business will strengthen the influence of the workers. VPK sees

the government's proposal only as an extension of the ATP system and makes a number of demands to support it, including that the governors of the funds will be chosen by the Riksdag, not by the government, and there will be no reduction in the movement of wages. LO is believed to agree with the latter demands, if one looks at the wage agreement order. Perhaps the Social Democrats must agree with some VPK viewpoints, but the VPK will not be able to achieve any real changes.

The Social Democrats see it as a strong political duty to bring in the funds. No party likes these funds.

9287

CSO: 3650/54

MYSTERIOUS ARMS SMUGGLING DEAL WITH SAUDI ARABIA

Hamburg DER SPIEGEL in German 28 Nov 83 pp 83-94

[Unattributed article: "We Can Use Everything You Have"]

[Text] The arrest of an ex-diplomat of the Philippine embassy in Bonn uncovered a hot trail: The arms smuggler was mixed up in a mysterious deal involving Leopard tanks going to Saudi Arabia. This particular case is typical for a business in which agents, wheeler-dealers and governments work closely together.

The well-dressed gentlemen with their black attache cases who were having a quiet conference in the Koblenz rail terminal restaurant soon reached an agreement. Less than one hour later, they retired to one of the back rooms.

There, the gentlemen signed an English-language contract that had been typed on the restaurant proprietor's typewriter. The contract called for, among other things, the sale of 10,000 Bulgarian-made Kalashnikov automatic rifles; 10,000 Italian machine guns along with 95 million rounds of ammunition; 1,000 CB radios. The total came to \$30,140,660.

The arms—enough to outfit the army of a small nation completely—were to be paid for with a certified check drawn on Schweizerische Kreditanstalt in Zurich. Delivery was to be via air freight and the destination was Saudi Arabia.

The arms purchaser was a rotund, cigar-smoking man with a dark mustache and beard who spoke German with a Rhenish accent but nonetheless stated that he was a Moslem and an emissary of the Saudi Arabian defense ministry. The German passport (No F 4181906), issued to him in Jidda, was in the name of Nikolaus Kreutz, born on 6 August 1937 in Daun/Eifel.

Kreutz, flanked by two broadshouldered men by the name of Leycks and Leon, put his signature on the contract and then announced that his Saudi Arabian clients intended to turn "all this stuff" over to the freedom fighters in Afghanistan.

The arms seller Wilfredo Vega, a former Philippine diplomat (carrying passport No 1392830), was not really interested in the use to which the arms were to be put. The wiry Filipino impatiently requested evidence of financial soundness as is customary in arms deals of this magnitude. When they met again on the next day at the Sheraton Hotel at Frankfurt airport and Kreutz presented a check for nine millions rials drawn on a Saudi Arabian commercial bank, the deal appeared to be in perfect order.

But appearances were deceptive. When the parties to the contract met once again, on 14 July on the roof terrace of the Rhein-Lahn Hotel in Lahnstein not far from Koblenz, in order to work out the arrangements for an inspection of the arms, officers of the federal criminal police bureau (BKA) stormed into the hotel and both arms dealers were soon led away in handcuffs.

A 49 year-old businessman from Luebeck, who had acted as a middleman and interpreter for Vega, had to exchange his hotel room with a jail cell as well. Underneath the mattress of his hotel bed, the BKA agents found whole bundles of plane tickets, encoded telex messages and arms prospectuses, including one of an "amphibious infantry armored car." A 58 year-old "manager-director" who had arranged for buyer and seller to meet was arrested in his home in Andernach on the same day.

The deal which went sour will soon be the subject of a criminal trial in Koblenz. It should afford both the police and the courts an insight into the practices of a business which lives from bloodshed and tries to maintain as low a profile as possible—the fraternity of international arms smugglers with their diversified contacts to agents, government officials and arms manufacturers throughout the world.

More than anything, German investigative authorities have found, the wars of attrition in Lebanon, on the Persian Gulf and in Chad have contributed to the rapid growth in illegal arms dealings by private sellers over the past 2 or 3 years. Contracts such as the one agreed on in Koblenz are concluded "almost each week" in the FRG, one BKA official told us.

The times are long past when private dealers would conceal a few hundred obsolete rifles in double ships' bottoms or specially prepared oil barrels. Complete radar installations, tanks and even combat airplanes are bought and sold on the grey market these days—frequently with the help of doctored documentation. Supply and demand determine the price. Everyone sells to everyone else as long as proper payment is made. There are even some swindlers who have no access to weapons at all but try to collect commissions with the aid of fake prepurchasing agreements.

In this grey area, police successes tend to come only if informers step forward and offer their services. In the Koblenz case, for example, arms dealer Bikolaus Kreutz was the first to go free and go into hiding abroad. Prior to leaving, he had said in his interrogation that he had "good con-

tacts to a police official in Mainz." From the start, he said, he had merely feigned being involved in the deal. "He is not really our man," the BKA says circumspectly.

Is he the Saudis' man then? A friend of Kreutz' says that his boss had a "first-class connection" in Saudi Arabia. Whenever he visited the desert kingdom he was treated "like a VIP."

Kreutz himself is more modest. "I wanted to protect my Arab friends from harm," he says. He had let the huge deal go because his Arab clients wished to avoid having opponents of the Saudi regime obtain their weapons on the illicit arms market.

Hamburg business man Horst Cepanski, a business partner of arms dealer and former diplomat Vega, sees it differently. By acting the way he did, Kreutz had really wanted to hide a far more serious undertaking—the sale of the Leopard 2 battle tank, one of the prize items in the German arms inventory.

Cepanski claims that Kreutz and Vega agreed "to negotiate about the Leopard 2s" after the machine gun "deal was consummated." When he was interrogated agent provocateur Kreutz had nothing to say on this subject—for a good reason most likely.

The Saudis, Cepanski says, had tried for months to obtain 30 Leopard 2s with their vaunted 120-mm smooth-bore guns from Rheinmetall with the help of an international arms dealer consortium.

Ever since the Germans turned down the Saudi request to buy the tanks through official channels, Riad had been trying to get the prize weaponry through underhanded methods. The Saudis in fact are not too squeamish about what their wishes are. "We have a need for everything there is in the way of modern equipment: tanks, airplanes, electronic gear," a Saudi diplomat in Bonn said without beating around the bush.

Following Chancellor Helmut Kohl's visit to King Fahd in October, the West German arms depots have been wide open for the Saudis. They can have almost anything including the Gepard anti-aircraft tank and the Roland anti-aircraft system. The 155-l field howitzer, which is assembled in Great Britain from major components supplied by the FRG, is already being delivered to Saudi Arabia.

But the shrewd Near Eastern negotiators have run afoul of one particular West German taboo: the Bonn ban on exporting the Leopard.

But even prior to Kohl's trip, the Saudis let it be known that they would be able to obtain the tanks through other channels as well.

Wilfredo Vega, the former diplomat from Manila, offered his good services. His partner Cepanski maintains that Vega offered the Leopard 2 to the Saudi arms buyers. The negotiations, he says, dragged on "for several months."

Vega is considered to be a man with a great many connections. As a special representative for economic questions, he took part as a member of the Philippine delegation in UN negotiations in Geneva and served as an economics expert at his country's embassies in Brussels and Jidda.

As deputy chief of mission at the Philippine embassy in Bonn, Vega had excellent connections to West German and European industrial firms up to 1981. Bonn diplomats recall that Vega, whose actual rank was that of minister, at least for a time held the title of special envoy (appointed by the president). Vega compatriots say that he has excellent connections to the family of Philippine President Ferdinand Marcos.

But even his partner Cepanski has no clear idea of how Vega managed to get at the Leopard 2s. Although he had "grave doubts" at the outset, Cepanski says that Vega finally convinced him by presenting him with "very concrete details and documentary evidence" to the effect that the tanks really were—and still are—available on the grey market "in a country of Western Europe." The current Saudi offer for the 30 Leopards stands at some \$108 million plus shipping costs.

It remains unclear what Saudi Arabia might get out of the Leopard 2 tanks. There would be no sure way of getting crews trained and spare parts delivered—and there were bound to be political problems with Bonn.

The Leopard 1 is a different story. Up to now, thousands of tanks of this type have been manufactured, including 720 built under a licensing agreement in Italy. In 1980, it became known that Italy had delivered an uncertain number of the Leopard 1 tanks to Libya—which led to massive protests in the Italian parliament. Under the circumstances, the Saudis would only be able to obtain the legendary tank from Italy in some roundabout way.

Saudi Arabia is experienced in the purchase of heavy military equipment. The oil kingdom is making up Iraqi losses by resupplying Baghdad with huge quantities of military equipment. In late January of this year, nearly 100 Soviet T-54 and T-55 battle tanks were loaded onto military transport vessels of the West German firms of Faun and Blumhardt at the Saudi Arabian ports of Rabigh and Duba for shipment to the Iraqi-Iranian war zone. Additional deliveries of unknown types of tanks are planned.

1½ months later, Falco Accame, a socialist member of the Italian parliament and a member of the defense committee, disclosed that there are intensive plans for training large Iraqi army contingents in Italy. Does that include the training of Leopard tank crews?

Whether there is any connection between these events and the tank offer submitted by Wilfredo Vega, only Vega himself could say—and he is remaining silent. But his partner Cepanski tells of a meeting arranged by Vega to discuss the Leopard sale which took place at the Hotel Crillon in Paris on 12 and 13 July 1983. An Israeli, whose job it is to establish contacts for the Saudis in the Rhein-Main area, verifies that the meeting did take place. "Monsieur Julien," who identified himself as a Saudi representative, managed to bring down the original per-item asking price from \$4.3 million to \$3.6 million.

At 4 pm on 18 July—which was a Monday—the contract was to be signed at the Franco-Allemande bank in Paris. After that, according to Cepanski, an "inspection of the tanks in a West European country" was planned. For security, Vega and his companions had to transmit their passport numbers to a certain address in Saudi Arabia.

But because Vega was arrested 4 days earlier on account of the Koblenz machine gun sales contract, the Leopard contract was never signed. Instead, Vega now faces up to 5 years in prison for violating the West German war materials control law.

Vega's record is not lily-white, as Koblenz senior prosecutor Heribert Braun has discovered. The state prosecutor's office is in the possession of "evidence" pointing to "prior" involvement in arms deals on Vega's part.

This may explain why Vega, who is being held pending trial at Koblenz's "Karthause" prison, refused for weeks to provide any detailed personal information; why he did not sign the protocols of his interrogations and why he nonchalantly declared that his passport "was with a friend in Frankfurt" when asked where it had disappeared to.

In his dealings with the state prosecutor's office, the Filipino never made reference to his diplomatic career although business acquaintances of his maintain that he was in the habit of displaying his valid diplomatic passport in all sorts of business situations even after he left his post at the Philippine embassy in Bonn. The foreign ministry for its part states that Vega no longer enjoys diplomatic immunity, however.

By issuing this statement, ministry officials apparently mean to prevent a recurrence of the "Tabatabai affair."

That was the Iranian caught smuggling dope who managed to leave the country in March 1983 after a tug-of-war lasting for weeks between diplomats and judges arguing over his contested diplomatic status. Protest notes from Tehran as well as the pompous public appearances by this relative of Khomeini's made it easier for Tabatabai to slip out of the country.

The Vega case is different. In public, the Philippine embassy in Bonn is keeping silent and Vega himself is tight-lipped. Attempts by a lawyer hired by the Philippine consulate in Stuttgart to make use of detention review proceedings to get Vega released have twice been unsuccessful so far.

Last week, the state prosecutor handed up an indictment of Vega before the Koblenz criminal court. The businessman from Luebeck and the Ander-nach intermediary were named as co-defendants.

In the case of the thwarted machine gun and Kalashnikov deal, the defendants ran afoul of article 4 a of the war materials control law. This section which was newly added to the law in 1978 makes it punishable to engage in unlicensed dealing in arms "which are located outside the territory of the FRG"—as in the Vega case.

Acting with more and more boldness, the illicit arms dealers have long since made out ways of circumventing this section which was designed to put teeth into the law. Here is one of the tricks of the trade:

The end user statement necessary for export is falsified. Fake documents of this kind are used by arms dealers when war material is to be shipped to crisis spots such as the Middle or Near East for example.

It is a simple trick. Embassies or agents acting as go-betweens from unsuspecting third countries—the current preference running to Portugal, Paraguay and Kenya—certify against payment of a commission of anywhere from three to six percent of the purchase price that the weapons will remain in their country even though the materiel either never really gets there or is immediately shipped onward to the actual end user.

Whenever transactions of this kind take place, the small fry in the business try to get a little something for themselves.

Ceparski also tried to get some juicy morsels. As someone active in the Near East for years, selling Turkish frozen meat or Yugoslav eggs to Iraq, dealing on the grey oil market in Rotterdam and such, he was "automatically" asked to become involved in arms deals. "That is perfectly normal in that part of the world," he says.

From then on, by his own admission, he started dealing "in surface-to-surface missiles and Kalashnikovs" and got to like it. He went from capital to capital by jet, taking up residence at the Crillon in Paris or at the Metropol in Belgrade, met with "internationally known arms dealers" at lunch and talked to profiteers all over the world by telephone.

To show what the content of such conversations is, here is the record of a telephone conversation between Cepanski and Iraqi arms dealer Saleh in Vienna on 27 September 1983:

[Cepanski] Have you got the airborne radar systems and the aerial photo cameras ?

[Saleh] Everything is feasible.

[Cepanski] How do you mean: feasible ?

[Saleh] Just that—but I no longer rely on mere talk. I want to have proof that there are buyers.

[Cepanski] That is no problem. But can you provide all the necessary specifications ?

[Saleh] Everything you need; that is no problem. Which systems are you interested in ?

[Cepanski] The T-72 [Soviet battle tank].

[Saleh] Yes.

[Cepanski] Are you kidding or is that for real ?

[Saleh] I said it was possible.

[Cepanski] And what about other kinds of Soviet-built materiel ?

[Saleh] I have already told you that everything is feasible. But I want to be face-to-face with a genuine customer. Then the deal can be closed in a matter of 48 hours.

Cepanski always knew what deals were in the making at any given time. Iran, for example, which is on bad terms with both the Western industrial nations and the countries of East Europe used dummy firms in London, Frankfurt and Hamburg to place orders for weapons for the war against Iraq on the grey market worth several hundred million DM.

In mid-July of this year, the Khomeini regime was planning a summer offensive. Iranian buyers with full wallets tried to obtain hard-to-find 155-mm howitzer ammunition in Brussels. The attempt to buy large quantities of such ammunition went awry. An international consortium hiked the cost per shell (made in Western Europe) from \$293 to \$340 overnight. It was not until 2 months later that the Iranians who must make a good showing in their war with Iraq were ready for a compromise.

On 27 September, Turkish arms dealer Oerguet, acting on behalf of the Iranians, let it be known in Amsterdam that "we are prepared to pay \$305 and the price for 105-mm ammunition must be pegged at \$155."

Deals such as these, Cepanski says, are transacted "strictly according to business rules." And he ought to know. In April of this year, he took part in the shipment of 10,000 Czech-made Kalashnikovs to the soldiers of the Chadian rebel leader Gukuni Weddei, who is supported by Muammar al-Qadhafi. Someone else who took part in the deal was Wilfredo Vega—but this time in a perfectly legal way. Saleh, the Iraqi who operates out of Vienna dealing in East European and Mideastern transactions, tendered the automatic rifle offer on behalf of the Czechs.

With the offer in their pocket, Vega and Cepanski went to Geneva shortly before Easter and spent several days at the Hotel President on Quai Wilson there bargaining with Becher Jaber, the Libyan buyer. In the hotel courtyard, the three agreed on a price of \$220 per rifle excluding freight. "I learned as early as Easter Sunday," Cepanski says, "that Gukuni Weddei would mount an attack on 23 June." The financial part of the transaction was entrusted to the French-controlled private banking firm of Worms and Associates in Geneva.

In the case of transactions of this type, the buyer must submit proof of his ability to pay—usually in the form of a bank-to-bank "key-tested telex." The seller deposits between five and eight percent of the purchase price in the form of a "performance bond." Only after the bank has verified the actual transfer of the arms by submitting the shipping documents will the bank pay out the purchase price it has held in escrow including the middleman commission.

Cepanski also tried to earn a commission on the Gulf war. Thanks to his connections, Iraq was offered a complete production facility for Yugoslav surface-to-surface missiles at the Geneva Hilton on 30 January of this year at a cost of \$ 20 million including assembly.

The missile builders located in Skopje displayed a lot of imagination in disguising the deal by designating the missile as a meteorological device ("offering effective protection against hail clouds") and addressing their bid to the Iraqi ministry of agriculture. But the prospectus they enclosed stated that the "Femko-Missiles," so named for the engineer who designed them, would be able "to fulfill every requirement" without any problems whatever. The missiles which can be fired from a Panzerfaust-type throwaway container have a range of several kilometers—with their effectiveness depending solely on its warhead.

Cepanski got to know the Yugoslav missile builders through Yugoslavs living in Bavaria who are known in German arms dealer circles as the "Macedonian mafia."

But now Cepanski has abruptly severed his close ties to the trade "on grounds of conscience," as he puts it. He was overcome by pangs of conscience "late at night" while drinking whisky. "It was a shock to realize that decisions on the life and death of thousands of human beings are being made in the backrooms of hotel bars," he says.

9478

CSO: 3620/93

NEW NAVAL COMMANDER TIKKA ON TRAINING REFORMS, SUB DEFENSE

Helsinki HUFVUDSTANDSBLADET in Swedish 29 Oct 83 p 12

[Article by Erik Appel]

[Text] The navy needs more personnel and would like to see more maintenance and repair tasks transferred to civilians, according to the newly appointed naval commander, RA Juha Tikka.

Within 5 years, at least 100 new positions will be needed--and that is an absolute minimum. Figures as high as 250 positions have been mentioned.

The navy also has a new training system, which makes additional demands on the personnel and leadership. Initial experience with the new system is positive, according to Rear Admiral Tikka.

The more advanced our technology becomes, the more demand there is for maintenance. The more boats we have, the more repairs must be made and the more people we must have on land.

These people are taken from our ships and this means an additional strain on our personnel and our budget. Crews on the old gunboats consist of 25 regular seamen and 40 inductees. On the new missile-bearing ships of the Helsinki class, however, the proportion is 15 regular seamen to 15 inductees, or one to one.

Further cuts are hardly feasible, according to Rear Admiral Tikka. But it would be conceivable to have small ships manned entirely by inductees (sailors and noncommissioned officers).

The number of crews also has been reduced as much as possible. As a result, some ships remain in harbor, while others operate with full crews.

Patrol Ships For Subs

The new missile-bearing ships are on the way. The navy has already received the first one and three others will be ready by 1986. They are being constructed in Finland. By the end of the 1990's a flotilla of four more ships

will be needed. Toward the end of the century, the navy will obtain a new type of patrol ship, patrol ship 90, which is specially designed for anti-submarine activities.

Extended Lifetime

The old gunboats will be around another fifteen years or so. By international standards, the lifetime of a warship is 20 to 25 years, but our navy has extended the lifetime of these ships to 30 years by means of a thorough modernization after about half their lifetime.

Our gunboats are undergoing such modernization at present. This results in ships that are as good as new at 30 to 35 percent of the price of a new ship. There is not enough money, however, to modernize the weapons systems to the extent desired by naval leaders. The ships cannot be provided with missile systems, for example.

There Are Subs In The Baltic

Concerning submarines, there is now almost a submarine hysteria, according to Rear Admiral Tikka. Some frightened people even ask if there really are submarines in the Baltic Sea.

"Of course there are," Rear Admiral Tikka said. Unfortunately, Finland is one of the two countries on the Baltic Sea that have no submarines of their own. So, of course, submarines both on and below the surface can be observed in the Baltic Sea. When an uninvited submarine enters the waters of another country (submerged submarines are always uninvited) it is an outlaw--a "wildcat" that must be turned away.

But during times of peace, it is virtually impossible to force a submarine to the surface without damaging it. In times of war, the situation is different. Then an attempt is made to destroy the submarine. In our shallow waters, missiles are the best weapons. Torpedoes are for deeper water and depth charges are obsolete.

Perhaps the greatest problem, especially in our shallow waters, is locating a submarine. Seabed formations, temperature changes, and other factors make it difficult to locate submarines using sound waves.

Intense research is now underway to solve this problem, according to Rear Admiral Tikka. The navy also would like to have helicopters with equipment for observing and combatting submarines.

New System

As mentioned above, the navy introduced a new training system at the beginning of this year.

The new system was described by Commander Jouko Visa at the new naval staff

headquarters on Drumso Island. The most important reform is the transition to three contingents (500 to 600 per contingent) per year, to avoid large variations in ships' crews and reduced preparedness when crews are changed during the navigation season. There also are plans to induct navy and army recruits at the same time, beginning in 1986.

The training period is 330 days for everyone receiving naval combat training. For those assigned to watch duty and maintenance, the period of service is 240 days.

The first 3 months are spent on land. First comes basic training, which includes the same training an ordinary infantryman receives. This takes place at the naval training center in Obbnas. Basic naval training and training of noncommissioned officers also occurs there. It is a bit crowded at Obbnas, but the training center functions satisfactorily.

Special training occurs primarily on the ships, except for those who choose rifle training and are assigned to guard duty and similar tasks. They are trained entirely on land and receive infantry training.

Significant changes also have been made in the training of officers and non-commissioned officers. Who will attend these schools now is decided at a later stage, after other specialized training, i.e. after 6 months of service. At that time, the officers know their recruits better. The performance of the inductees is rated and recorded on a card that is kept during their entire period of service.

In addition, candidates for officer and noncommissioned officer training undergo special evaluation.

Increased Motivation

Thus, the new system has been in effect this year. Transitional problems are anticipated, but the new system already seems to be working well, according to Commander Visa. There is increased motivation during training, especially at the naval combat school and on the minelayer Pohjanmaa. There is also stiff competition for openings at the officer and noncommissioned officer training school.

The problem is especially acute at Pansio near Turku where the naval station is spread over a large area. Training there suffers from the fact that there are so many maintenance and supply duties.

One advantage of service in the navy is that skills are learned that may be useful in civilian life with machinery, navigation, and cooking, according to Commander Visa.

9336

CSO: 3650/39

CARL BILDT YIELDS TO ADELSON IN RIKSDAG SECURITY REPORT

Stockholm DAGENS NYHETER in Swedish 16 Nov 83 p 6

[Article by Sven Svensson: "Adelson Pulled Bildt's Ear; Agreement on Swedish Security Policy"]

[Text] Once again there will be broad agreement concerning the shape of the Swedish security policy. During the debate of the Foreign Policy Committee in the Riksdag, the Conservative Party in practice abandoned several of the demands put forward by the party in proposed bills.

The explanation is that party leader Ulf Adelson does not want any more squabbling about Swedish security policy. Therefore, a group of younger Conservatives headed by Carl Bildt, who represents other views, had to back down.

Unity

A special drafting group within the Riksdag Foreign Policy Committee has just worked out a Swedish security policy statement in which the unity is striking. Bildt, among others, was included in that drafting committee.

The draft of the statement indicates that both the Center Party and the Conservatives on some points refrain from pushing their separate requests and instead join in the formulations of the majority. The majority consists of Social Democrats and Liberal Party people.

From a technical viewpoint this takes place so that the majority of the committee will not call for a rejection of the Center and Conservative requests but is satisfied to say that the answers to them are contained in the text. Bildt did not want give final approval to the compromises without first having submitted them to the various levels of the party. The Foreign Policy Committee will adjust its statement on Thursday.

The Conservatives have submitted bills in which they were critical of a Swedish UN proposal to freeze nuclear weapons at the present level. The Conservatives have further insisted that the East European states must be "liberated" before there can be talk about real disarmament measures.

The Conservatives have not yet issued a final statement about their position on the demand for a nuclear weapons freeze. On the other hand, it is clear that the Conservatives accept the view that the disarmament work must continue regardless of the situation in Eastern Europe.

The Conservatives were also critical of the manner in which the Swedish government handled the issue of a nuclear-free zone in the Nordic area.

The committee reported on what the committee has said previously and greeted with satisfaction the fact that the Nordic governments have initiated studies on the Nordic zone. The zone is to be a link in the work to create a nuclear-free Europe.

The committee had originally intended to refer to what Prime Minister Olof Palme said to the Paasikivi Society in Helsinki. Instead, there will be a reference to the government declaration of last October, which Bildt considers acceptable.

The Palme government says in the declaration, that the work to realize a nuclear-free zone in the Nordic countries will continue.

Reservation

The Center Party and the Left Party-Communists share a common viewpoint as regards non-proliferation of nuclear weapons. They believe that uranium mining and proliferation of nuclear power technology constitute risks for spreading nuclear weapons. Both parties will record their reservations on this point.

11949

CSO: 3650/49

CONTROVERSY ON ARMS EXPORTS TO THIRD WORLD

Hamburg DER SPIEGEL in German 31 Oct 83 pp 205-207

[Unattributed article: "All Quiet"]

[Text] By entering into licensing agreements, the Swiss arms industry is circumventing export restrictions and giving the humanitarian tradition of Switzerland a bad name.

Attending to good Swiss-Chilean commercial relations was not the only job Yves Moret, the Swiss ambassador in Santiago, Chile had last summer. When Christian Democrat Gabriel Valdes was arrested in early July and his political friends in Europe suddenly discovered how cruel the Pinochet regime could be, the Swiss diplomat was forced to deliver an official note of protest at the Chilean foreign ministry.

Moret's energetic protest underscored Swiss distaste for the excessively brutal Pinochet regime. Since the Swiss look upon themselves as the guardians of international law and defenders of the dignity of man throughout the world, they had declared Chile a crisis zone years ago with no Swiss arms permitted to be sent there.

Nonetheless, Pinochet is able to defend his regime with the help of the latest model Swiss automatic rifles—and any potential successors of his will not have to do without well-made Swiss military equipment either.

The thing is that shortly before Valdes was taken into custody and Moret delivered his protest note the arms branch of the "Swiss Industrial Co" (SIG) of Neuhausen on the Rhine concluded a licensing agreement with Famae, the arms manufacturing branch of the Chilean army.

The contract allows the Chilean military to manufacture Swiss SG 542 automatic rifles and even to export them, "if a buyer can be found," as SIG spokesman Otto Burkart confirmed to us.

Threatened protests by Third World groups and peace activists against the deal were nipped in the bud by the Swiss foreign ministry, headed by Social Democrat Pierre Aubert. The sale of licenses for the production of arms, it was said, would not be subject to the war materials law in the future either.

The fact is that paragraph 11 of said law merely prohibits the export of /arms/ to crisis areas and "if there is any reason to assume that shipments of war materials to a specific country run counter...to the goals espoused by Switzerland in international life and particularly applying to respect for human dignity." But the law does not mention the export of construction plans and patents.

Actually, the authorities in Berne have been saying for years how effective their embargo regulations are and arms manufacturers are complaining that the politicians are making it difficult for them to sell their quality merchandise.

But that is all just for show because the law as such is not enforced by the rather sophisticated foreign ministry but by the solidly conservative defense ministry (the EMD), whose arms buyers entertain long-standing connections to the domestic arms industry.

Thus, the largest arms factory in Switzerland, Oerlikon-Buehrle Inc (which specializes in anti-aircraft guns and electronic fire control systems) was able to ship 20-mm anti-aircraft guns to Ecuador and an anti-aircraft system to Egypt through an Italian subsidiary and also managed to sell its Pilatus PC-7 small airplane by labeling it a harmless civilian means of transportation—for use against the guerillas in Guatemala, Bolivia and Burma.

When 44 members of the Swiss parliament protested against the arms export practices, the Berne government issued the following statement of justification. Equipment could be classified as war material only if it qualified as arms under the export regulations. "Every aircraft, once exported, can be so outfitted that it may be used for military purposes," the early September statement said.

What this means is that if the Swiss really meant to implement their humanitarian principles in the strict way which the population subscribes to, then all aircraft exports would have to be forbidden. But that is not only impossible because of the Swiss belief in the sacredness of free trade and commerce but also because of the "need for a viable domestic arms industry," as the military planners say.

These latter statements never fail to make an impression. In 1978, the arms lobby, led by Mowag Inc of Kreuzlingen, mounted a general attack on the whole spectrum of restrictive arms export regulations.

Right-wing conservative Zurich member of parliament Rufold Friedrich, an outspoken proponent of the military and minister of justice for the past year, feared for a loss of jobs and came up with persuasive arguments on the importance of the domestic arms industry in a crisis situation. 95 out of 246 members of parliament supported his move.

In 1972, a referendum on imposing a total ban on arms exports failed to pass—and neither did the Friedrich proposal. But Mowag managed to get its deal through just the same.

In 1980, the firm sold the production rights for the "Piranha 4 x 4" and "Piranha 6 x 6" wheeled tanks to "Cardeon SA," a private Chilean industrial firm. Thanks to the agreement with the Swiss, wrote Chilean industrialist Carlos Cardeon in the conservative newspaper EL MURCURIO on 9 January 1983, he was now able to satisfy the needs "of national self-defense" and, beyond that, to produce for export. Negotiations with Moroccan buyers, he said, were already under way.

Just to be on the safe side, Cardeon had his tank plant built in the duty-free zone of Iquique where he could import individual components from Switzerland, Belgium, Israel and Great Britain without difficulty.

Part of the components Cardeon may wish to import from Switzerland might also include the Oerlikon-Buehrle 20-mm anti-aircraft gun. If a deal can be struck, a spokesman told the Zurich TAGES-ANZEIGER, it would be transacted through "British Manufacture and Research Co," a Buehrle subsidiary.

Buehrle has the most experience in dealing with export restrictions. The firm has been making deliveries to faithful customers in South Africa through its British and Italian subsidiaries since 1963.

SIG, too, whose robust automatic rifles have been much in demand at times, has been circumventing export regulations for years by producing its offerings abroad. "Manufacture de Machines du Haut-Rhin," located at Mulhouse in Alsace, has been manufacturing and exporting SIG arms since 1974.

It was a SIG rifle which killed Che Guevara in 1967. Argentinian soldiers are as familiar with the rifle as the Falangist militias in Lebanon.

To help raise SIG's "declining profits," as NEUE ZUERCHER ZEITUNG has put it, and to amortize the development of the new model incurred by the Swiss army, the SIG management was more than pleased to be able to close the Pinochet deal at this time. For another thing, "Chile is an old customer of ours," said deputy managing director Francis Hochuli.

But as far as company spokesman Otto Burkart is concerned, the licensing deal is a "delicate matter" about which he is not at liberty to provide any details. Inquiries by local politicians and a public outcry not to

"place automatic rifles into the hands of murderers in Chile" by a well-known Protestant development aid expert had made the arms manufacturer very nervous.

In late September, when the parliamentary debate on procurement of a new SIG automatic rifle took place, the firm feared that there might be political disturbances.

But all was quiet. The appeal of the Third World expert met with virtually no response. In parliament, the arms deal did not come under serious criticism and none of the members called for sanctions against SIG.

The peaceable Swiss hardly seem to notice that they have a dual standard in their foreign relations--the Berne government being extremely adept at dealing with the arms export issue, delicate as it is. In fact, Switzerland may even step up its efforts in the future.

Next year, as it happens, arms lobbyist Rudolf Friedrich will switch from his present post as head of the justice ministry to his dream job of running the defense ministry.

9478

CSO: 3620/91

UNEMPLOYMENT IN INDUSTRY EXPECTED TO REMAIN HIGH

Stockholm DAGENS NYHETER in Swedish 9 Nov 83 p 9

[Article by Lilian Ohrstrom: "Despite Record in AMS Efforts; Increasingly High Unemployment"]

[Text] Unemployment has decreased since last month. But despite massive efforts in labor market policy, more people are unemployed in October this year than a year ago; 149,000 people are now openly unemployed in Sweden. More than half a million people are outside the regular labor market.

Unemployment in Sweden is now 3.4 percent. Few other countries can report such a low figure. Yet, unemployment is steadily increasing, despite the fact that the AMS [Labor Market Board] has distributed record amounts in order to create more public works jobs and training for people instead of having them openly unemployed.

There are positive indications in the statistics jointly presented Tuesday by the AMS (Labor Market Board) and SCB (Central Statistical Bureau). The number of recently announced available jobs was 5,000 higher than a year ago. And there were 5,000 more employed in industry than at the same time last year.

Does this mean that the trend has turned, that we can now anticipate steadily declining unemployment? The AMS believes so in its fall report.

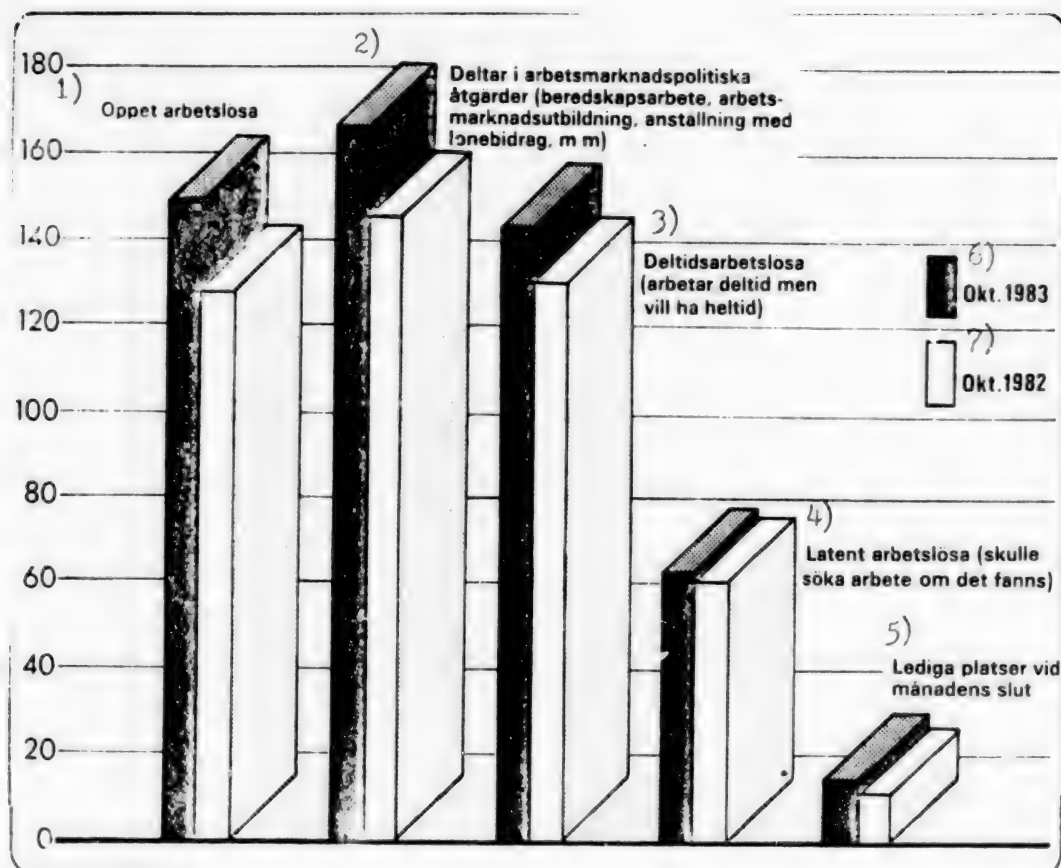
Disagreement

Labor Market Minister Anna-Great Leijon is also of the opinion that we are on the way toward a brighter labor market situation.

Others, however, are more doubtful, as for example TCO [Central Organization of Salaried Employees] labor market expert Knut Rexed.

"Unemployment will not decline next year," he maintains in contrast to the AMS and the government.

"The foundation material we received from the AMS does not warrant such optimism," he said.



Unemployment has decreased since last month. But in comparison with the situation 1 year ago, the number of unemployed has grown. The sum total is nevertheless that more than half a million Swedes today are outside the regular labor market. And then young people under 18 are not even included.

- Key:
1. Openly unemployed
 2. Participate in measures of labor market policy (public works jobs, labor market training, employment with wage contribution, etc.)
 3. Part-time unemployed (work part-time but want full-time)
 4. Latent unemployed (would seek jobs if there were any)
 5. Available jobs at the end of the month
 6. October 1983
 7. October 1982

According to Knut Rexed, unemployment will slowly increase up to 1985. There will be 30,000 more jobless per year. And an annual average of 175,000 unemployed, as compared to 140,000 last year.

"The development has not turned around. Not even in the manufacturing industry," Knut Rexed says and believes that this is the result of regarding unemployment as a debit item in society.

TCO Demand

The TCO is demanding that the government should set up a target to reduce unemployment to 2 percent for 1985 and that this must be a basis for the economic policy.

The head of the fact-finding section of the Manufacturing Industry Association, Anders Rune, is sceptical toward the decline of employment.

The development in the manufacturing industry has not caused much optimism so far this year, he says.

The latest report from the Economic Institute also shows that one-fourth of the manufacturing companies anticipate fewer workers after 1 January. One-fifth also believe they will have a lower number of employed workers after 1 April. A similar development is expected on the salaried employee side.

Of those jobless in October, 90,000 were registered with the unemployment office, that is to say they had been fired from previously held jobs. This was 7,000 more than last year.

Youth

At the same time as the AMS is reporting the October figures, a study made by the National Board of Education shows that unemployment after high school is increasing.

Twice as many young people were unemployed last spring after high school as compared with 1980. Joblessness is lowest among young people who have graduated from a 3-year economic program and a 3-year natural sciences program in high school. Youth unemployment is still highest among those who finished the nursing and other care, social and consumer programs.

11949

CSO: 3650/49

INDUSTRIAL EXPORTS REGISTER DRAMATIC IMPROVEMENT

Stockholm DAGENS NYHETER in Swedish 16 Nov 83 p 8

[Article by Bjorn Anders Olson, Kerstin Sedvallson and Olle Rossander:
"Manufacturing Industry Association: "Metalworkers Should Dampen Optimism"]

[Text] Swedish exports are doing better than for a long time. Production in the manufacturing industry, with the exception of shipyards, has also increased.

These figures are coming out at the same time as the Metalworkers' Union in its union negotiations with the Manufacturing Industry Association [VF] now demands real wage improvements for its members.

But at VF all reports are received with controlled emotions.

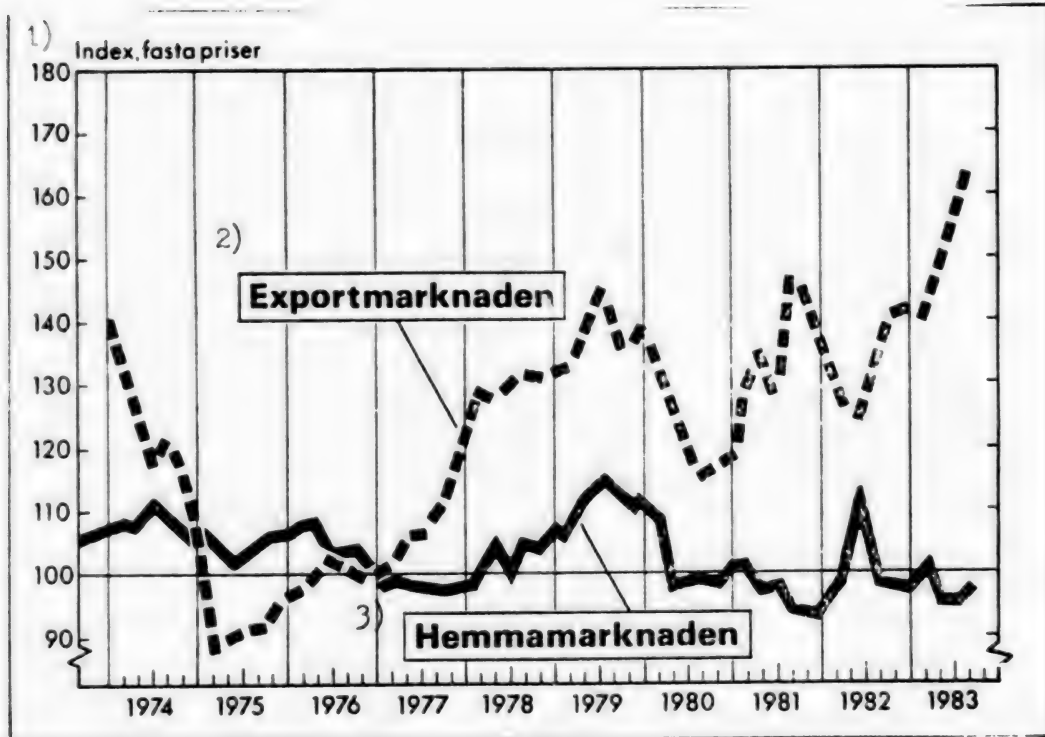
"What is most important to us in this year's wage negotiations is that we get real wage increases for our members."

That was the principal message from Leif Blomberg, chairman of the Union of Metalworkers, to his negotiating council which met Tuesday in order to agree to coordinate the Metalworkers' collective bargaining in the area of SAF [Swedish Employers' Confederation] with other LO unions.

This also means that the Metalworkers are joining the centrally coordinated negotiations with LO in the SFO [Labor Negotiation Organization for State-Owned Industries] area, meaning the negotiating organization of the state.

At the end of the month begins the collective bargaining of the Metalworkers with the Manufacturing Industry (VF), the largest member organization of the SAF [Swedish Employers' Confederation], which was the one which in March pushed through its own agreement with the Metalworkers.

Through LO the Metalworkers Union has now demanded seven percent with a special low-wage policy and will consequently participate in the coordination, insofar as it is LO which will see to it that no union will have precedence, will lag behind or be left out.



Export market demand is now clearly at a higher level than it was in the 'super-profit year' of 1974. On the other hand, incoming industrial orders from the domestic market are still weak. (Index: 1970 = 100. Source: SCB)

Key: 1. Index, fixed prices
2. Export market
3. Domestic market

The Metalworkers have special union demands, however, just as do other LO unions. An important requirement for the Metalworkers is sick pay from the first day of illness. The Metalworkers today have lower benefits than those in effect for all of the salaried employee groups.

"It is a fair demand that our members should also have the same sick pay," in Leif Blomberg's opinion.

The Metalworkers anticipate that in 1984 they will get real wage increases for their 340,000 members in the SAF area. Of these about 200,000 work in companies affiliated with the Manufacturing Industry Association.

Increased Order Taking

At the same time as the Metalworkers now demand real wage improvements, the SCB [Central Bureau of Statistics] issued statistics on improved production in the

manufacturing industry, with the exception of shipyards, and a continued increase in incoming orders during the third quarter.

Incoming orders to Swedish industry from abroad have increased by 15 percent in one year. In September deliveries to foreign countries grew 22 percent in comparison with the same period last year.

Orders from Swedish buyers grew considerably more slowly. The exception is the iron and steel industry, which gained most strongly in the domestic market, an increase of 25 percent, while order taking from abroad rose 18 percent.

All industries report an improvement, with the exception of agriculture and the quarrying industry.

Order levels in the chemical, plastics and oil industries have doubled. For the paper and pulp industry, as well as the iron and steel industry, the order volume has grown by more than 20 percent.

Production is also growing, of course, and certain industries have achieved record figures.

The manufacturing industry, with the exception of the shipyards, has never had higher production than right now, a gain of eight percent in comparison with last year. Nevertheless, the capacity is poorly utilized in that industry. The chemical industry as well can report record production, after a 16-percent increase over 2 years.

The saw mills have the highest utilization of capacity in industry. The paper and pulp industry is growing strongly, but from a formerly record-low level.

The iron ore mines have increased production, to be sure, but are still more than 30 percent below last year's level.

However, at the Manufacturing Industry Association all reports about increased order volumes and production growth are received with controlled emotions. At VF there is no optimism:

"We are warning against excessive optimism," says VF economist Anders Rune.

"Engineering production stagnated during the months of April up to and including August and did not increase until September. As for exports, in the manufacturing industry these grew by three percent during the first half of the year, but according to the fall report of the Economic Institute the increase for the entire year is expected to be 3.4 percent. That could be compared with 1982, when the increase was 4.1 percent for the manufacturing industry.

Anders Rune attributes the increase in exports directly to the automobile industry, where Volvo has had great success, as is well known.

"But investment goods are not so easy to sell," Anders Rune notes.

Among VF's 2,300 member companies with 320,000 employees are major companies such as Volvo, Asea, LM, SKF, Atlas and Electrolux, but the majority are smaller companies with poor profitability.

"We are somewhat horrified that the value of the DM has been lowered by 5-6 percent against the dollar. Sixty percent of our exports are to Europe, where the FRG is the leading nation. In that region the manufacturing industry is raising prices by only four percent," Anders Rune says.

The price increases are expected to be 2.5 percent in the FRG for 1984, which means that wages can only be raised by 2-4 percent.

Surplus

The Swedish export is doing better than for a very long time. So far this year Swedish trade with the rest of the world has yielded a surplus of nearly 11 billion kronor. In October alone the surplus was 1.7 billion.

According to SCB statistics, Sweden exported goods worth 19.5 billion during October--and the record noted in September will thus remain unbroken--while we imported goods valued at 17.8 billion.

Consequently, the value of the exports increased 26 percent and the value of the imports seven percent in comparison with October of last year.

During the first 10 months of the year the trade balance produced a 10.9-billion-kronor surplus--exports minus imports. For the same period last year Sweden had a 1,390-million-kronor deficit, and the year before that a narrow surplus of 820 million kronor.

So far this year exports have grown by 27 percent, while imports grew 17 percent in comparison with the same period last year.

11949

CSO: 3650/49

SWEDEN URGED TO BAN FINNISH OIL TO GET FAIR DEAL

Stockholm DAGENS NYHETER in Swedish 28 Oct 83 p 10

[Article by Kerstin Kall]

[Text] Finland's Neste Corporation can inundate Sweden with oil if it wants to, but companies that want to sell to Finland run into an impenetrable concrete wall in the Gulf of Finland and the Baltic Sea. If Sweden cannot get past Neste's petroleum monopoly in Finland, it ought to repay in kind by shutting Neste out of Sweden.

That claim was made during a hearing on obstacles to Nordic trade that was sponsored by the Board of Trade and the Stockholm Chamber of Commerce on Thursday.

At the same time that the hearing was going on, the five Nordic ministers of industry were meeting at Rosenbad, a few blocks from the Board of Trade Building, and talking about increased Nordic cooperation. They accepted a program of principles on technical cooperation and talked about liberalizing the rules for the establishment of new firms in Norway, Finland, Iceland, and Sweden. The rules in Denmark are already as liberal as they can be.

Denmark is the easiest country to deal with, according to the businessmen who were meeting to air the problems involved in making Scandinavia a single domestic market.

Finland is where they encounter the most problems. Some of those problems are related to the bilateral trade agreement between the Soviet Union and Finland.

Tommy Nordin of the Swedish Petroleum Institute brought up the monopoly enjoyed in Finland by Neste and the Soviet TEBOIL, which prevents Swedish refineries from exporting to Finland.

He said: "The present situation is completely untenable. If nothing can be done about this political situation, it would be reasonable for Sweden to shut Finland out of the Swedish petroleum market."

But Swedish refineries also have problems with obstacles on the domestic market. As an example, Tommy Nordin mentioned Sweden's navigation fee, which has no counterpart in any other Nordic country.

Now that petroleum consumption in Sweden has declined, Swedish refineries need petroleum from abroad to keep busy.

But a 100,000-ton vessel coming to Goteborg with crude oil must pay \$1.60 (about 12 kronor) for every ton of oil it carries.

That means a cost of about 1.5 million kronor just to bring the oil in for refining. The same fee is charged again when that same oil leaves the country.

Tommy Nordin says: "The Ministry of Industry has proposed a subsidy for the refineries. But we are not interested in subsidies. Eliminate this kind of fee instead. It is a significant obstacle to our survival."

Gosta Rehn, who once worked for Alfa-Laval in Finland, pointed out that the Soviet-Finnish trade agreement hurts other firms besides the oil companies. He said that even if a Swedish firm manufactures products in Finland, it is not allowed even to be a subcontractor for exports to the Soviet Union if it cannot show that the content of its products is 100-percent Finnish.

Customs procedures, value-added tax, and technical obstacles were other problems discussed. Tore Gabrielsson, who reports on obstacles to trade to Minister of Foreign Trade Mats Hellstrom, was able to report rather solid opposition to the new proposals by customs for groupage rules--that is, inspection at the customs terminals instead of door-to-door delivery of merchandise.

11798

CSO: 3650/25

BRIEFS

FINLAND SETS DEADLINE FOR SWEDEN ON GAS--Sweden must decide before next summer whether it will join in as a partner in a gas pipeline running from the Soviet Union through Finland. Otherwise, Finland will design the pipeline to meet its own requirements, says a spokesman for Neste, the state-owned oil company. Finland and the Soviet Union may reach a preliminary decision on the gas as early as the middle of December, when the Finnish-Soviet Trade Commission will meet. [Text] [Stockholm DAGENS NYHETER in Swedish 3 Nov 83 p 8] 11798

CSO: 3650/25

BP'S BUDDENBERG ON OIL SUPPLY, REFINING CAPACITY

Duesseldorf WIRTSCHAFTSWOCHE in German 18 Nov 83 pp 94-98

[Interview with Hellmuth Buddenberg, head of German BP, by WIRTSCHAFTSWOCHE editors Armin Mahler and Dieter Huehnerkoch; date and place not specified: "No Cause for Panic"]

[Text] Over the past 10 years since the first oil crisis, the oil market has changed dramatically. German BP chief Hellmuth Buddenberg believes there is a need to limit the import of finished goods so as to maintain German processing capabilities, if at all possible. But as for current levels in crude oil supply, Buddenberg, in a conversation with WIRTSCHAFTSWOCHE, stated that these would be assured even in the event of crises breaking out in the Near East.

[Question] Mr Buddenberg, the oil price has increased tenfold over the past 10 years. But during that time, oil consumption by the Western industrialized nations has only dropped from 1.96 billion tons annually to an estimated 1.58 billion tons this year. Would you say that we have learned our lesson from the two oil crises ?

[Answer] We certainly did not learn much from the 1973-74 crisis. That was forgotten very rapidly. But the explosion in oil prices in 1979 has had a lasting effect so that even people with a short memory are no longer able to repress it.

[Question] But who still thinks of the shock of 1979 ? The oil is flowing more copiously once more. The oil-producing countries and the producers of mineral oil products, too, would love to sell more of their wares.

[Answer] You are right in saying that consumer habits are changing again. There is a surplus at this time and we have no energy problems. But we are still going on the assumption that oil consumption will not rise over the next few years. In fact, oil's share of total energy consumption will drop to one-third. In 1974, it was different. At that time, the shock was immediately followed by a quantum jump in consumption as soon as things calmed down. In that sense, the reaction to the 1979 events is more lasting after all.

[Question] Still, the conservation effort of the past 10 years has had relatively minor results. The trend away from oil is not as topical as it was.

[Answer] The oil price explosion in the aftermath of the revolution in Iran did lead to some immediate reactions and an upheaval on the energy markets. We now know that oil will not continue to be the primary source of energy.

[Question] But that is exactly what it still is—10 years after the initial crisis.

[Answer] It still is but it will not continue to be much longer. In the past, oil's portion of the energy market was more than 50 percent. Today, it is only somewhat more than 40 percent and it will continue to decline until it reaches one-third. There is one more thing. In years past, our economy grew by five or six percent. Over the next decade, we can be happy, if the growth rate reaches two percent. That in itself is a good reason for not expecting large increases in energy consumption. For another thing, energy use has become more efficient. Whereas a one percent increase in the growth rate formerly called for a one percent increase in energy consumption, that ratio today stands at 0.6 percent. One has to look at all these things in context in order to come up with a true assessment of the oil situation. Given this scant growth rate and greater efficiency in energy use, the need for more energy does not necessarily have to be met by oil. Other sources of energy can take over. That is why I would say that the market is changing radically already.

[Question] But oil could become scarce again sometime, couldn't it ?

[Answer] I do not foresee that happening at all. If we start from the assumption that the 45 million barrel daily oil consumption in the Western world will no longer increase and the non-OPEC countries alone are supplying 25 million barrels, then OPEC is left with 20 million barrels. That means that OPEC is operating at just about two-thirds of capacity. But if there were a crisis and a panic broke out, then things would look different.

[Question] Which is not altogether impossible. Just think of the Iranian threat to close the Straits of Hormuz.

[Answer] Only eight million barrels of the Western oil supply actually pass through the Straits of Hormuz. Any such loss could be largely offset by increased deliveries from other producer countries and full utilization of the pipeline system to the Red Sea. In my view, the entire matter is more of a psychological problem than one of supply technology. Even if the Straits of Hormuz were closed, the main thing is that there is no panic buying. But I do not believe the straits will be closed. It would affect Iran worst of all. From an economic policy standpoint, a blockade would not make much sense.

[Question] But wars are not waged according to the principles of logic.

[Answer] That is true. But wars do cost money and to earn money, Iran must export its oil.

[Question] Are you saying then that you do not see any danger of a new oil crisis and because of that the switch to other sources of energy can be slowed down--which is what we, in this country, are doing anyway ?

[Answer] That is not the way I see it.

[Question] But then what has happened to all these marvelous plans--for coal liquification, for example ? Was the oil price still not high enough ?

[Answer] It was--but it has gone down in the meantime.

[Question] Are you saying that it should have stayed up ?

[Answer] Under present circumstances, coal liquification is just not economical. It would require subsidies or tax rebates that I do not think are possible given our present federal budget picture. But that does not mean we are abandoning our research efforts in the alternative energy field. We must continue them; but we are not under as much pressure--one has to be clear about that. We are substantially less dependent on OPEC than we were. After all, we are obtaining one-third of our oil from the North Sea these days.

[Question] Exactly. But that is oil, too--and we wanted to get away from that in order to husband our reserves; particularly our own.

[Answer] It is a big difference whether the oil is coming from the Near East or from the politically secure North Sea region. I never believed in the "away from oil" trend in this singleminded fashion.

[Question] Mr Buddenberg, all this time you have been talking about lower demand for oil which will make for a long-term relaxation of the situation, offering hopes for a rosier future. But have we really been saving energy or are we only using less because the economic situation is as bad as it is ?

[Answer] To be sure, long-term conservation measures and the health of the economy both played an important role in it.

[Question] But the ministry for economics has determined that 55 percent of the drop in energy consumption in 1981 and 66 percent of it in 1982 was due to the poor state of the economy. On the other hand, we are avidly hoping for a recovery. What if we have one ?

[Answer] We are agreed, I should think, that a growth rate of two percent is the upper limit for the foreseeable future.

[Question] Yes.

[Answer] Well, then I can assure you that the increased demand for energy resulting from such a growth rate will be met by nuclear energy, coal and natural gas. I am not just saying that. Our studies have shown it. The main point is perfectly clear. There will be no further rise in oil consumption worldwide. We are also looking for a certain price stability. Under these circumstances, we dare not ignore economic realities and build expensive coal liquification facilities merely for the sake of a principle.

[Question] But from the government point of view, wouldn't it be preferable to make funds available for such projects rather than to prop up dying industries and thus prepare the way for a better energy future ?

[Answer] You can see already how difficult it is to get the German coal mining industry back to producing 10 million tons per year. You may think that is the wrong thing to do from an energy policy point of view...

[Question] It would be interesting to find out what your views are on that.

[Answer] I think we have to be flexible and take account of the situation whatever it may be. If the world changes in the space of 3 years, then one must not singlemindedly continue to shoot for the production of 100 million tons of coal. I do not think it is right to saddle the German economy with the necessary additional subsidies at this particular juncture.

[Question] What you have told us so far sounds as though we can breathe easier all along the line. Does that perhaps have more to do with the poor health of the oil industry than with your views regarding the economy as a whole ? Your colleague Mr Pohl from Shell Oil recently said that there must be an end to the "getting away from oil" policy. Those are entirely new opinions being voiced in your line of business.

[Answer] No they are not. We began to realize that as early as 1980. We said then that the "away from oil" slogan was catchy and popular from a political point of view but that it was wrong just the same. What we should really be saying is that it would be a pity to keep on burning up oil in spite of the present surplus situation.

[Question] Doesn't that amount to just about the same thing ?

[Answer] I don't think so. There is no substitute for motor fuels and no substitute for the products of the petrochemical industry. In these fields, we should make sensible use of oil.

[Question] But Mr Pohl expressly said that energy programs should not be used to push oil out of the market and that oil has its place in the heating market also. That sounds like hardnosed business interests to us. You are interested in increasing sales and getting back in the black.

[Answer] Of course we want to get back in the black—and it just cannot be right to subsidize other energy sources at the expense of oil and to have the government tell us that entire areas must be served by conduit-supplied energy and that the individual citizen can no longer freely choose between oil, gas or remote heat. That would amount to government dirigism at the expense of our industry. Has the government ever instituted a single control measure that benefited the oil industry ?

[Question] You could really have used that. German BP, which once was the biggest oil company in Germany, has slipped somewhat. What do you say now: small is beautiful ?

[Answer] One must adjust to changed conditions by adopting thorough structural measures. One has to throw old ideas which once were valid overboard and do an analysis of the organizational structure. That holds true for every branch of industry—and we have done it, too. After the revolution in Iran which no one foresaw, our planning goals changed drastically overnight, of course. With what you said you were probably alluding to our buying the Gelsenberg Co. I can only tell you that it has turned out to be a good move.

[Question] You are now closing down the Fanal gas stations which were included in the Gelsenberg purchase.

[Answer] We are not only closing down Fanal stations but also BP stations. In addition, the Fanal and the Strohmeier Ltd sales organizations, which we also took over from Gelsenberg, have provided us with the opportunity to optimize our consumer sales inline with adjusting to the new market situation. If we had used our somewhat smaller BP sales organization instead, we would not have been able to do so—leaving aside for the moment that this constituted the lesser aspect of the purchase agreement. The major aspect is the Gelsenberg connection to Ruhrgas.

[Question] You are not possibly thinking of selling the Ruhrgas portfolio because you are short on funds ?

[Answer] No.

[Question] Are you telling us that BP is changing over from production to a commercial enterprise ?

[Answer] No--but we are in the process of optimizing consumer sales and that would not have been possible to this extent, if we had not taken over the Gelsenberg Co. That is why the takeover on which we made a good deal of money in 1979 now benefits us greatly in the present adjustment phase. The finished products market has grown substantially. In addition, there are opportunities for job processing.

[Question] But that will lead to entirely new dependencies, if we not only have to depend on others to supply crude oil but also finished products. This is particularly true, if one thinks of the processing capability being built up in the oil-producing countries.

[Answer] In a surplus market, it makes very little difference whether I am importing crude oil or finished products.

[Question] That is indeed a qualitative difference--whether I depend on another merely for raw materials or I also depend on him for supplying the finished goods produced from these raw materials.

[Answer] From a certain point on, of course--that is true. That is why we have always said that it is necessary to maintain a certain refinery capability in the FRG. We must not get to a point where all existing refineries in the FRG are shut down.

[Question] Then you are not happy either at the thought that perhaps 10 years from now we will be getting the major portion of the finished products we need from the politically unstable Near East ?

[Answer] We must make sure that the major part of the mineral oil products the FRG needs is produced by German refineries. The only question is how that can be done.

[Question] With the help of subsidies perhaps ?

[Answer] We have never asked for subsidies. But we may reach a point where we will have to have an energy policy that can cope with the flood of imports.

[Question] How do you propose to do that ? As far as utilization of capacity is concerned, the crude oil producers are at an advantage in any event. After all, they possess the raw materials.

[Answer] Certainly. Then we will have reached the point at which a political decision has to be made to maintain our supply of mineral oil products from German refineries at a certain level.

[Question] Do you want to introduce import quotas; resort to protectionism ?

[Answer] I would call it an energy policy. But you yourself were speaking of a new dependency in the finished goods sector. In other words then, we must retain refinery capacity in the FRG. But these refineries will not be able in the long run to compete against production in the oil-producing countries where the oil is extracted from the soil for a dollar. Now you say we do not want protectionism either. Well then, what would you have me say ?

[Question] That is exactly what we did want to hear because initially your assessment of the situation sounded as though things were not so dramatic at all.

[Answer] No. I believe it is imperative from an energy policy point of view to produce a certain quantity of mineral oil products inside our own country—because in crisis situations, it will be easier to obtain crude from somewhere than to obtain the whole range of finished products.

9478

CSO: 3620/38

CURRENT, FUTURE RATIO OF OIL, COAL, WOOD IN TOTAL CONSUMPTION

Duesseldorf VDI NACHRICHTEN in German 18 Nov 83 p 25

[Article by P. J.: "Finland Steps Up Energy Savings"]

[Text] Utilization of domestic resources being promoted increasingly. Energy consumption in Finland grew more slowly in recent years than the GNP and in 1982 it even dropped; it is assumed now that this trend will continue. In all sectors, there was also an increased switch to the use of domestic energy sources. A cooperation group for energy technology exports is now operating within the framework of the Finnish Foreign Trade Association in which 57 enterprises are participating as of now.

The share of Finnish energy production out of the total consumption volume has been declining regularly since 1960. After the oil price rise however specific measures were taken to reverse this development and since 1978 the share of domestic energy has again revealed a rising trend. Last year, this share was 30 percent and a target of 35 percent has been set for 1995. There are good reasons for these saving measures and for the efforts to increase the share of domestic energy: The cold winter, the country's energy-intensive industry, as well as the long transportation routes. The Finnish government, especially the Ministry of Industry and Trade, has encouraged the communities, industry, and private households to make energy-saving investments. And it did so successfully. For example, the consumption of heating energy declined 20 percent within the past 10 years.

The government supports investments which serve for the efficient utilization of energy, the employment of domestic energy sources, the expansion and improvement of the district heating system, the guarantee of energy supply, as well as research and development in the energy sector.

Finland imports all kinds of fossil fuels, such as coal, natural gas, nuclear fuel, and, to a certain extent, also electricity. Industry, above all the wood-processing sector, is the biggest energy consumer in Finland. Industry invested intensively in saving process energy and in using domestic fuels. The result was that Finland's oil consumption dropped by 2 million tons per year between 1973 and 1982. This decline can be explained not only by industry's saving measures but also by the development of the district heating

system as well as the replacement of oil with peat and coal. The oil share out of the total energy consumption volume is presently around 40 percent and the target for 1995 is a reduction to 35 percent. Finland's oil suppliers are the Soviet Union (82 percent), Saudi Arabia (12 percent), Iran (2 percent), and Qatar (3 percent). Finland's oil consumption presently comes to about 11 million tons per year.

Finland's coal consumption reached its high point so far with 5-6 million tons per year during the 1970's. During the 1980's, it dropped to 3 million tons due to the good water situation as well as the increasing use of nuclear energy. Of course, it is expected that the consumption of coal as an oil-replacing energy source will again rise to 7-8 million tons per year by 1990. Finland imports coal from Poland, the Soviet Union, Great Britain, the United States, and Sweden and, in smaller quantities, also from other countries.

In addition to water power, wood and wood residues--for example, from industry and from the forests--as well as peat are important domestic energy sources. Finland's peat reserves are among the world's biggest. The current peat consumption is 7-10 million cubic meters per year; the target is 25-30 million cubic meters per year in 1995. District heat power plants and industry are the biggest peat consumers.

Industry is trying further to expand the use of wood and wood residues for energy generation. Successes achieved so far are considerable already because the energy obtained from industrial raw material waste corresponds to an oil volume of 2.5 million tons per year.

40 Percent Electricity from Nuclear Power

The total electric power production capacity amounted to about 10,700 Megawatts in 1982. An important factor in electric power generation is nuclear power whose share, with almost 40 percent, is among the highest in the world. In 1982, water power had a share of 31 percent, while the share of industrial counterpressure energy and process energy was likewise relatively high with 13 percent, above all thanks to the systems developed by the wood-processing industry. The district heating power plants also generate electricity, specifically, 9 percent of the total output. Imported electricity accounted for 5 percent and other production facilities mentioned above contributed 4 percent. Finland's district heating system doubled its capacity over the past 10 years. According to forecast, 50 percent of all households will be connected to the district heating grid by the end of this century. Presently, 60 percent of the district heating power plants generate both heat and electricity. The technology of this sector developed in big strides and at the same time the useful ratio in these power plants rose to more than 80 percent. Nowadays, the district heating power plants use both oil and coal as well as peat for fuel. In the future, oil is to be increasingly replaced with peat and coal in district heat generation.

With energy-technology products, the members of the cooperation group active within the Finnish Foreign Trade Association record a sales volume of more than 7 billion FIM [Finish marks] (around DM3.4 billion), of which 27 percent are

made up of exports. The total sales volume of the enterprises involved was almost 50 billion FIM in 1982 and there exports came to almost 23 billion FIM. Energy-technology exports thus accounted for a share of 8 percent out of the total export volume and a share of 4 percent out of the total sales volume of these enterprises. The biggest customers of energy-technology products from these enterprises were the Soviet Union (522 million FIM), Iraq (399 million FIM), Sweden (199 million FIM), and Saudi Arabia (almost 75 million FIM). The main part of energy-technology exports consists of plants, machinery, and knowhow for electrification and power generation. The export value of the electrification and power generation sector came to 1.4 billion FIM last year.

5058

CSO: 3620/94

AGIP STATUS REPORT ON ENERGY PRODUCTION, SUPPLY, EXPLORATION

Rome STAFFETTA QUOTIDIANA PETROLIFERA in Italian 24 Oct 83
pp 10-16

[Text] More flexibility in purchasing, full steam ahead with research. With one eye on the market to ensure more flexibility and frugality in the nation's oil supplies and the other on the new mineral opportunities for increasing oil and natural gas reserves in Italy and abroad, AGIP is continuing to consolidate its position among the 10 major international oil companies in the OECD area, as shown in the figures released in the latest annual report, of which extensive excerpts follow.

Even in an international oil market typefied by profound changes and marked uncertainty, AGIP in 1982 continued its efforts to assure the country of adequate fuel supplies at the lowest prices the market could offer.

In the course of the year, the company acquired 36.6 million tons of oil (as against 44.7 million tons in 1981), of which 10 million tons were extracted from AGIP holdings in Italy and abroad.

Overall, production of crude oil from the fields in which AGIP is active came to 41.4 million tons (as against 40.5 million tons in 1981). Sales of natural gas by AGIP came 12.2 billion cubic meters in Italy (vs. 11.7 billion in 1981). In all, sales of natural gas produced in fields in which AGIP has an interest in Italy and abroad were 28.7 billion cubic meters (vs. 29.1 billion in 1981). In addition, a total of 994,461 meters of exploratory and development wells were drilled in Italy and abroad. Insofar as specifically regards activity in AGIP's research concessions in Italy, 1982 was a particularly good year for the company. In all, 31 wells were brought in, 23 yielding gas and 6 oil. Further proving and technical/economic evaluation is under way or scheduled, and when complete, these operations will give us a more substantial picture of the size of these newly discovered reserves.

In all, 118 exploratory and development wells were drilled in Italy, 53 of them offshore, 23 for natural gas storage, for a total of 321,304 meters (vs. 285,530 meters in 1981). Also in Italy, net reserves of petroleum derivatives rose to 92.9 million tons (vs. 87.1 million tons in 1981); reserves of natural gas totaled 450 billion cubic meters for new gas and 174.5 billion cubic meters for residual gas (as against 172 billion cubic meters in 1981).

Oil production came to 1.3 million tons and gas production to 13.5 billion cubic meters, of which 1.4 billion went to build up reserve stocks.

Abroad, the principal items in 1982 included 35 new fuel discoveries, 21 of them oil, 12 gas, and 2 oil and gas. Noteworthy are the advances made in Angola, where the company is active both in consortia and on its own in exploration activities. Also of particular interest are the results reported from Nigeria, Canada, and Egypt. In all, 262 wells were drilled, 130 of them exploratory, for a total of 673,167 meters.

Controlled crude reserves as of the end of 1982 stood at 225.5 million tons, while those of gas came to 32.4 billion cubic meters.

Crude Supplies

The persistent softness of demand for oil, the ample surplus of crude oil on the market, and the hot disputes among the various OPEC nations as to price and grading differential policies have strongly affected the behavior of the oil companies in the management of their supply activities.

The low prices prevailing on the open market for both crude oil and petroleum products has in fact induced buyers to resort more strongly than heretofore to this kind of transactions, which over the course of 1982 were more profitable than those tied to official prices.

In this context, AGIP's operations on the international market involved both scaling quantities of crude to be purchased in addition to supplies from its own extraction activities to the more moderate levels of Italian and Group demand, and incorporating some flexibility into contracts with producing countries, thus allowing recourse to the spot market when advantageous.

In addition, the lesser concern with finding the quantity and quality of crude for supplies enabled AGIP to pay more attention over the year to the price factor than to the security factor, which marks a break with the policy deemed necessary until the very recent past.

The Italian market, whose total oil consumption came to 90.4 million TEP, in 1982 imported about 64 million tons of crude on behalf of Italian purchasers as against 1.73 million tons in 1981, a decline of 11.4 percent. These imports were factored into the total availability of national crude production to the tune of about 1.6 million tons, fairly well in line with 1981 output. Imports of finished and semi-finished products came to more than 29 million tons (up 6 percent over 1981), while exports of petroleum products held at the same level as in 1981. The crude supply program in Italy, as formulated by AGIP for 1982, was based on a volume close to that reached in 1981 (around 39 million tons). The necessity -- encountered in the very early months of 1982 -- for adjusting projections of consumption to levels lower than those in earlier estimates, plus the advantage of buying finished products instead of processing crude oil, necessitated several successive updatings as to supply levels for crude processing in Italy. These altered conditions forced AGIP to reopen negotiations on some contracts that had already been signed, in view of reducing purchases to levels lower than those expected. The company handled this particularly delicate passage in the oil market with the clear intent to avoid prejudicing its supply relations with a plurality of the oil producing countries, so painstakingly set up in years past, and to protect, as well, the overall interests of the ENI group in the individual countries.

These moves made it possible to cut back initial availability by about 7 million tons of crude, specifically eliminating those grades of crude which are most costly. Furthermore, in line with the supply cost-containment policy, AGIP relied more heavily than in the past on the free market, which contributed in addition to exchange activities in 1982 some 10 percent of the total supply for the Italian market. In short, AGIP formulated and implemented its own supply policy with the objective of optimizing, by means of cutbacks in spot market contracts and purchases, the makeup of a pool of crude oils particularly suited to the Italian market in terms of quality as well as price.

In this context, AGIP acquired access to 36.6 million tons of crude oil (vs 44.7 million tons in 1981), of which about 11 million tons were from its own wells and 25.6 million tons were acquired by barter. These amounts were destined either to meet the requirements of the Group's refining system or for sale to third parties; such sales involved primarily the grades of crude that could be disposed of most advantageously on markets other than the Italian.

Out of total available stocks, AGIP earmarked for the domestic market, meaning the Group's refinery system, 31.6 million tons, setting aside another 2.5 million tons for sale to third parties. AGIP's share of the crude oil imported into Italy on behalf of domestic purchasers thus came to 48.4 percent as against the ENI Group's share of about 40 percent of the domestic market for petroleum products.

As for the CIF cost of crude imports in Italy, it should be emphasized that the market situation and the action taken by AGIP as described earlier enabled the company to gradually cut the cost of supplies of crude oil over the year from \$254.8 per ton in the first quarter to \$241.2 per ton in the fourth quarter.

AGIP's average cost for 1982 was thus substantially in line with the national average, even though the product it offered was of slightly higher quality.

The breakdown of AGIP's imports of crude oil according to country of provenance shows an increase in quantities supplied from the Persian Gulf, up from 33.1 percent in 1981 to 36.4 percent in 1982, primarily due to larger purchases of Iranian crudes. In Africa, the other major supply source, imports showed a decline from 34.2 percent in 1981 to 30.5 percent in 1982, as did purchases from the Eastern Mediterranean, down from 17.8 percent in 1981 to 12.1 percent in 1982.

Crude oil transported by sea in 1982 came to 32.7 million tons (down from 41.6 million tons in 1981), 7.3 million tons of which were shipped via the SUMED system, the oil pipeline that links the Red Sea with the Eastern Mediterranean, and 9.8 million tons via the CEL pipeline system to supply ENI Group refineries in the Po Valley and Germany.

Utilized in maritime transport were 15 of AGIP's own tankers, 5 long-term charter tankers, and one smaller vessel for CIF transport.

The average cost of maritime shipment was 10,400 lire per ton, an increase over 1981 levels (9,300 lire per ton) attributable to the high exchange rate of the dollar.

The increase in unit costs of transport (up 12 percent) is substantially due to the continued rise of the dollar vis-à-vis the lira (up an average 19 percent), to the rise in charter costs of Group tankers and those on long-term charter, and to the extra insurance premiums paid for taking on cargo in Iran.

Oilfield Holdings

Throughout 1982, AGIP's extraction operations pushed ahead full steam in Italy and abroad.

A decline in the total acreage of AGIP's holdings at the close of 1982 reflects merely a modification in the structure of those holdings. Specifically, the extraction concessions in which AGIP is active at present have shrunk from a gross area of 867,000 square kilometers recorded in 1981 to 743,000 as of the end of 1982, a decline of some 14 percent: the concession acreage released owing to expiration of contract and to surrender exceeded the acreage acquired in new concessions.

AGIP's average share in the concession areas held as of the end of 1982 was 80 percent in Italy and 43 percent abroad.

In Italy, AGIP was active in 218 exploratory concessions, 127 of which were run in cooperation with other companies, and was prime concessionaire on 75 concessions.

Abroad, the company as of 31 December 1982 held oil rights through 174 joint ventures or AGIP-controlled companies, and was prime concessionaire in 40 of them.

Italy -- As part of a program to exploit all economically and technically significant underground resources, AGIP stepped up its own operational efforts, identifying resources on land and offshore.

In the course of 1982, holdings in which AGIP was represented increased from by some 13,000 square kilometers, from 130,000 in 1981 to 143,000 in 1982 (including the exclusive ENI holdings).

New acquisitions focused on central-southern Italy, with particular attention to Apulia and Sicily, where AGIP stepped up its own exploration activities.

Abroad -- In 1982 there was a marked decline in holdings, down from 736,000 square kilometers in 1981 to 500,000 in 1982, a drop of about 18 percent.

This contraction responds on the one hand to the need for a critical reexamination of concessions acquired in previous years, and, on the other, to the fact that the contractual term for a number of concessions, including some very large ones (such as those in Libya) had expired or was about to do so; the areas released were not offset by the number of concessions acquired, large though it was, in Canada and the United States.

Thanks to agreements entered into all over the world, AGIP was present at the close of 1982, via its own associate companies, in 29 different countries.

Over the course of the year, negotiations were completed in nine countries for acquisition of new fields, in six of which AGIP will be prime concessionaire. In all, AGIP in 1982 acquired a total of 35 new permits covering 82,000 square kilometers. The major acquisitions were made in Canada, the United States, Yugoslavia, Angola, Madagascar, France, and Norway.

In Canada, AGIP reached agreement with a local company (Ocelot) involving an exchange of their respective mineral rights. Pursuant to these negotiations, and to others concluded during the same period, AGIP is now active in more than 900 tracts in the western Canadian provinces (Alberta, British Columbia, and Saskatchewan). In the course of the year, offshore rights around Labrador were increased by about 23,000 square kilometers following a revision of the earlier agreement.

In the United States, AGIP signed eight new agreements for participation, which led to a considerable improvement of AGIP's position in that country. Outstanding was the acquisition of an interest (ranging from 5 percent to 20 percent) in 16 areas held by Conoco and Goldo of Mexico.

In Yugoslavia the company acquired an interest in three tracts, for a total of 12,620 square kilometers off the Adriatic coast, in one of which it is prime concessionnaire.

In France, AGIP acquired an interest in two tracts, one on land, involving 8,220 square kilometers, and one offshore, in the English Channel, where it is prime concessionnaire.

In Angola, AGIP won sole operating rights in April to 4,000 square kilometers off the Atlantic coast.

In Madagascar, AGIP acquired an interest, again as prime concessionnaire, to a tract, part of which is on land and part offshore, of 20,000 square kilometers.

Other sizable acquisitions were recorded in Norway and Tunisia.

Over the year, a number of tracts were dropped as the contract term expired or as exploration activities were completed; as a consequence, AGIP is no longer working in Morocco, Turkey, the Sudan, Mauritania, or Iran.

As the year drew to a close, Agip was engaged in negotiations for acquisition of new rights in China, Equatorial Guinea, the Sudan, Australia, and Great Britain.

Exploration

During 1982 AGIP was engaged in intensive exploration activity to pinpoint new fuel resources, which brought encouraging results in Italy and abroad. Specifically, the company, on its own or with partners, drilled 229 exploratory wells all over the world, an increase of 23.1 percent over 1981. Total drilling during the year (including that on wells being rebores, in the process of drilling as of the close of 1982) came to about 619,000 meters, just about the same as the 1981 level.

The year's record for exploration is satisfying: in Italy, a number of strikes were made in the Adriatic area, both on- and offshore, in the Po Valley, in Sicily, and in the Ionian Sea; worth noting abroad were major oil finds off Angola, as well as a number of discoveries in Nigeria, Egypt, Libya, Ivory Coast, and Canada.

Italy -- Exploration in Italy in 1982 entered a new phase of development, bringing to light major oil and gas deposits. It found oil in three offshore wells (Elisa 1 in the Adriatic, Nilde 3 and Vega 3 in the Sicily Channel) and five more onshore, two on ENI's exclusive holdings (Gaggianno 1 and Ravizza 1), two in Sicily

(Piano Lupo and Giaurone), and one in Abruzzo (Colle Tavo). Particularly significant is the discovery in the ENI zone of the Gaggiano deposit (near Milan), since it revealed the presence of a large quantity of oil (35 degrees API) in a new sector of the Po Valley.

1982 was also the year of resumption, with encouraging results, of exploration in Sicily on recently acquired tracts as well as in earlier concessions. Particularly promising are the results in the Sicily Channel, where oil research predominates: the Vega 3 and Nilde 3 wells confirmed and expanded the estimates of the size of earlier finds.

In 1982 there was further activity in exploiting Italy's natural gas resources to a point where they can contribute more toward meeting consumer requirements. Natural gas was found in 11 on-shore wells (Ovanengol, Pessa 2 and 3 dir., Zorabini 2 and Porto Corsini 8 dir., Quadrelli 2, Troia 2, Mezzanelle 3, Croce del Vento 2, Torretta 1 and Locantore 1), and 12 offshore (Antares 1 and 2, Eleonora 1, Barbara 3 and 4, Porto Corsini 20 dir and 30 dir., and Hera Lacinia 14, Bettina 1, Isabella 1, Fiorenza 1, and Franca 1).

The gas find at Locantore 1 has heightened renewed interest in the area around Ferrandina, where advances in seismic prospecting technology have made it possible to find stratigraphic targets.

During 1982, there were 16 onshore teams and two vessels engaged in offshore exploration, which conducted marine surveys, recording, respectively, 7,395 and 14,060 kilometers of seismic lines. Also performed were on-shore gravimetric sounding for 239 crew-days, off-shore soundings for 163 crew-days, and geological soundings for 14 crew-months. During 1982, AGIP and its partners drilled 90 exploratory wells (72 in 1981), 55 of them on land and 35 offshore, in 72 of which operations AGIP was prime concessionnaire.

Total meters drilled during the year, including those in completed wells and those still in progress, came to 227,000, about the same as in 1981.

Abroad -- Abroad, too, EGIP committed major technical and financial efforts to insure adequate diversification in the nation's supply sources, and achieved considerable success. All told, 35 wells were brought in and 7 more have confirmed earlier reports and discoveries.

Specifically, 21 oil wells were brought in: 4 in Angola, 4 in Canada, 3 in Nigeria, 2 in Egypt, 2 in Libya, and one each in Great Britain, Tunisia, the United States, Yemen, China, and Ivory Coast. In 1982, we also found 12 new gas deposits and two of oil and gas; specifically, the finds were made at 7 wells in Canada, 2 in Egypt, 2 in the United States, and 1 each in Libya, Tanzania, and Ivory Coast.

All told, during 1982 AGIP and its associates conducted soundings to map 34,666 kilometers of onshore seismic lines and 45,605 kilometers offshore for a total of 80,271 kilometers. In addition, gravimetric exploration covered 25,441 geological stations and zones, for a total of 2 crew-months.

Over the year, AGIP and its partners drilled 130 exploratory wells, 54 of which were drilled by Agip itself; at year's end, another 41 wells were in the process of drilling (or idle pending tests).

Overall, some 392,000 meters or so were drilled, much the same level as in 1981.

Cultivation and Production

Again in 1982, AGIP devoted intensive efforts to translate earlier discoveries into producing flows and to upgrade the delivery capacity of producing fields. This activity, however, was obliged -- particularly abroad, where the new fields brought into production are oil fields -- to reckon with the low level of oil demand and of the supply policy measures consequently adopted by the producing countries.

In Italy, on the contrary, AGIP -- partly in order to cope with the absence of the expected Algerian supplies of natural gas to meet domestic demand -- stepped up its own methane production to fill the breach. The quantities of oil derived from AGIP's activities, destined to help form the crude stocks for 1982 and consisting of equity-oil, dropped from 11.9 to 11.0 tons in 1982. The decline reflects both the adjustment of production programs to the international market situation and the reduction in AGIP's pumping in areas whose crude oil had declined in competitive status vis-à-vis those dominating the market. Overall, production of crude oil and natural gas in Italy and abroad from fields in which AGIP is active was 42.7 million tons of crude and condensates and 28.7 billion cubic meters of natural gas. In 1981, those levels were, respectively, 41.7 million tons of crude oil and 30.4 billion cubic meters of natural gas.

Italy -- Over the year, AGIP has kept the present natural gas producing system going at full steam, beefing up its own campaign to upgrade the wells in some fields. In 1982, the "Rospo Mare" offshore field in the Adriatic and the "Reggente," "Mezanella" and "Santa Caterina" gas fields in Apulia, as well as the "Melanico" fields in the Molise, "Lavinia" in the Ionian Sea, and "Emma Ovest" in the Adriatic. Also worth noting is the resumption of production from the Nilde oil field (AGIP 15 percent), while activity is continuing on development projects for the gas fields at "Porto Corsini 80," "Medesano," and "Basil," and at the "Perla" and "Santa Maria" oilfields.

Also continuing in 1982 was work on a production capacity expansion project for the "Barbara" and "Grottamare" gas fields and of the Cavone oil field.

As part of the assisted recovery activities in the oil fields, work continued on gas injection in the Ponte Dirillo field in Sicily, and drilling began in the Vallecupa field in the Abruzzo on a pilot steam injection project. During 1982 12.1 billion cubic feet of natural gas was sold, an increase of 4 percent over 1981; crude production, as well as that of fuel oil and Gpl, equal to 1.36 million tons, an increase of 10.5 percent due mainly to resumption of production at the Nilde fields.

As part of the program to build up emergency fuel reserves, 1982 saw 3.2 billion cubic meters of natural gas put into storage, both to handle seasonal peaks and to increase storage capacity, with a year-end figure of more than 1.4 billion cubic meters.

Work also began on converting the Sabbioncello and San Salvo fields into storage space, bringing the number of such facilities up to eight. For 1982, the theoretical maximum output was 82 million cubic feet of gas per day, while the real output was 50 million cubic feet per day.

Abroad -- Total production of crude and condensates from fields in which Agip is active came to 41.4 million tons with an increase of 2.2 percent over 1981, due solely to new fields' coming into production. Agip's output during 1982 reflected, as we said earlier, the trend in crude oil demand; therefore the quantities were, on the whole, smaller than those of the preceding year.

Three new oil fields were brought into production during the year: "Espoir" in Ivory Coast, "Tazerka" in Tunisia, and "Clough Creek" in Nigeria. Natural gas exploitation in fields where AGIP was present was particularly active in Norway and England, and to a lesser degree in Egypt and the United States. Overall production from these fields came to 16.6 billion cubic meters of gas (as against 17.5 billion in 1981); the quantity extracted and resold by AGIP was 1.8 billion cubic meters of gas (1.9 billion M³ in 1981). Work continued on projects connected with study and design of assisted recovery programs, which call for steam injection in the "Emeraude" fields in the Congo and of water in the "Ekofisk" fields in the Norwegian sector of the North Sea and at "Balaym Marine" in the Gulf of Suez. Here is the detailed production picture in the individual countries where AGIP is at work.

Congo -- Total production from the Loango, Emeraude, Likoula, and Yanga fields went up in 1982 (more than 11 percent), owing to increased production from the new Yanga field. AGIP, through its controlled partner AGIP Recherches Congo, pushed ahead with its development program for the Loango Sud and Zatchj fields in the Madingo Marine concession and for Yanga and Sendji fields in the Pointe Noire concession. For the Sendji field, start of production for the first completed wells is expected for the first half of 1983.

Tunisia -- AGIP Africa's production from the El Borma and Choueches Saida fields held at last year's level. In November, as planned, production began at the Tazerka field, which should reach capacity production of 10,000 barrels per day. Development drilling is still under way at the Makrouga, Laruch, and Debeh fields, with completion scheduled for mid-1983, and in the El Borma concession six new wells have been brought into production, bringing the total number of producing wells on that field to 70.

Ivory Coast -- At the end of August actual implementation began on the EDPP (Early Development and Production Program) at the Espoir field, with the start of production from 5 wells with an average flow of around 19,000 barrels per day. By year's end, production had hit 2.3 million barrels, of which about 300,000 barrels were drawn down as AGIP's share.

Angola -- The development plan for the Palanca field was presented, while feasibility studies are under way for development of the Pacassa field.

Egypt -- Production at the oil fields of Belayim, Shoab Ali, and Shukheir Bay rose by 15.6 percent over last year, while gas from the Abu Madi field held at the 1981 level.

Libya -- The amount of crude produced in 1982 by AGIP Name from the Bu Attifel field was 20.7 percent above that yielded in 1981. Development activities are proceeding in concession 82/100. In the NC/41 offshore area, development of the Bouri field is in the fine engineering phase.

Nigeria -- Amounts of oil produced by the Naoc-operated fields were up slightly (1.3 percent) over the 1981 levels. Drilling continued through the year in connection with the development of the Beniboye offshore field, while plans for gas injection in the Obiafu/Obrikon and Kwale-Okpay fields are in the completion stages.

Indonesia -- AGIP (Overseas) Ltd. in 1982 maintained regular production flows in the Teluk Bereau area, although production from the Salawati field was slightly lower than last year.

England -- Studies are still under way for the development projects designed to assess the economic advisability of bringing the Andrew and T-Block fields into production. In the advanced completion stages is work on completion of the gravity platform designed by Technomare for bringing the Maureen field into production. Gas production from the Hewett field declined in 1982 by about 19 percent from the 1981 level.

Norway -- Development activity centered on work on the Greater Ekofisk complex, to optimize operating conditions to comply with new standards imposed by the Norwegian Petroleum Directorate.

Oil production from the North Sea fields dropped by 14.4 percent from 1981 levels, while gas production remained substantially unchanged.

Iraq -- As part of AGIP-INOC cooperation under the agreements reached in 1980 for bringing the Halfaya field into production, Agip has completed its survey of the field and design work on the installations.

Reserves

Italy -- Following up on the good results of AGIP's exploration efforts in Italy during 1982, it acquired, in terms of discoveries and upward reassessment of known deposits, new reserves of natural gas amounting to 15 billion cubic meters as well as 5.6 million tons of liquid hydrocarbons. AGIP's initial quota reserves of gas and crude oil have thus risen, respectively, to 450 billion cubic meters and 92.9 million tons, while remaining reserves as of 31 December 1982 were 174.5 billion cubic meters of natural gas and 53.6 million tons of crude.

Abroad -- Certified crude reserves abroad were assessed in 1982 both as contract rights on the basis of participation quota and on contract rights to withdraw as reimbursement for costs: those for natural gas were calculated on the basis of participation quotas held by AGIP in the international consortia in which it shares with other companies.

Specifically, crude and condensate reserves belonging to AGIP, as of the end of 1982, came to 225.5 million tons, differing by less than 1 percent from last year. The encouraging results obtained in exploration and cultivation in Nigeria, Congo, Egypt, and Angola have practically offset the AGIP quota produced in the course of the year.

Residual natural gas reserves as of year's end were 32.4 billion cubic meters, totally covering, along with the new discoveries, AGIP's quota for 1982.

Natural gas reserves still awaiting the findings of marketability studies in Nigeria, Congo, Libya, and Trinidad and Tobago account for some 113 billion cubic meters for AGIP's quota alone, a 24-percent decline from the preceding year attributable to new assessments made in the course of the year on the basis of additional data having to do with fields in Congo, Trinidad and Tobago, and off the Libyan coast.

Geothermal

During 1982, activity continued in the exploration and exploitation of geothermal energy resources in Italy; a natural consequence is the company's commitment to the overall exploration of all of

Italy's underground resources. The exploration program, undertaken as a joint venture with ENI, involves a total area of 5,708 square kilometers (vs. 4,489 sq. km in 1981), for a total of 9 concessions; currently in the negotiating stage are concession permits for research on 2,416 sq. km.

AGIP reached new agreements in 1982 on joint ventures with ENI to engage in exploration on concessions in Monti Cimini, Monti Sabatini, Ferrara, Schio, and Colli Albani. Over the year, AGIP also reached an agreement with the Sicilian mining agency and ENEL for a program of underground operations on the Vulcano concession, where AGIP is to act as prime contractor.

In order to permit exploitation of low-enthalpy resources for heating homes and for industrial purposes, memos of understanding were signed between AGIP and the commune of Ferrara and the municipal utility companies of Vicenza; also under way are negotiations for an agreement with the National Gas Pipeline Company (SNAM) for transferring heat to SNAM under the "Methanopolis" pilot project.

In 1982 AGIP and ENEL together completed 9 soundings for a total of 11,010 meters drilled (vs. 16,489 in 1981); despite this decline in total meters drilled, the results for the year are encouraging, since they confirmed the presence of two potentially profitable geothermal deposits, one at Mofete and one at Latera.

AGIP's far-flung surface exploration activities, carried out in collaboration with ENEL, involved the following concessions:

- in the LAGO DI PATRIA concession, the Mofete 8d well was brought in, while the test program for production continued in anticipation of the coming experimental phase. The productive capacities of Mofete 1, Mofete 2, and Mofete 8d wells has been proved, and the installable electric power potential at those wells ranges from 2 to 4 MW per well;

- on the Latera concession, well Latera 4 was brought in, followed by the dry Latera 10 well; experiments have been started in production from the Latera 2 well and with reinjection at Latera 1;

- at the Vulcano concession, geological and geophysical surveys have been completed and a site chosen for Vulcano 1 well, where drilling began at the end of the year;

- several small wells were drilled on the Monte Cimino concession in the Vulcano di Vico area, revealing some promising geothermal levels;

- at San Donato Milanese, underground exploration continued through the year, with the assessment of the production potential of several wells.

AGIP: PRODUCTION, SHIPMENTS, AND DESTINATION OF FOSSILE FUELS

(in millions of tons)

	1978	1979	1980	1981	1982
Available Crude supply:	1.20	1.44	1.50	1.21	1.35
Produced: Italy	16.50	16.84	15.08	10.71	9.70
Abroad*					
From purchases and exchanges	20.04	24.64	24.20	32.81	25.56
TOTAL	37.44	42.92	40.78	44.73	36.61
Crude Destination:					
For sale: Italy	30.16	36.68	36.86	38.67	31.60
Abroad	2.72	3.10	2.53	2.21	2.36
Sales to third parties and stocks	4.86	3.14	1.39	3.85	2.65
TOTAL:	37.74	42.92	40.78	44.73	36.61
Natural gas shipped to consumers: (millions cubic meters)					
Italy	12,046	11,809	12,046	11,690	12,817
Abroad	1,800	1,900	2,200	1,900	1,800

* Including crudes from State-owned Companies extracted from fields where AGIP is active in production (buy-back).

AGIP SUPPLY ACTIVITIES BY COUNTRY OF ORIGIN IN 1982

Country of Origin	Thousands of tons	Country of Origin	Thousands of tons
Saudi Arabia	4,200	Kuwait	1,277
Libya	4,782	Qatar	1,296
Iraq	3,426	Abu Dhabi	346
Egypt	2,704	Norway	930
Iran	4,068	Tunisia	846
Venezuela	1,377	Ivory Coast	40
Mexico	1,565	Indonesia	72
Algeria	721	Algeria (condensates)	527
Nigeria	1,725	Canada	1
Congo	1,406	United States	1
Russia	3,936	Italy (crudes)	1,354
TOTAL: 36,608			

AGIP HYDROCARBON PRODUCTION IN ITALY

	1981	1982	% variation
A) Liquid hydrocarbons (thousands of tons)			
Crude oil	1,171	1,301	+ 11.1
Light distillate	26	35	+ 34.6
GPL	29	27	- 6.9
B) Natural Gas (millions cubic meters)			
-- Northern Italy	9,031.8	9,527.8	+ 5.5
-- Central-South Italy	3,568.7	3,818.5	+ 7.0
-- Sicily	249.5	206.4	- 17.3
Total production	12,850.0	13,552.7	+ 5.5
Set-aside for reserves	1,160.2	1,365.9	+ 17.7
Production utilized	11,689.8	12,186.8	+ 4.2
In-house consumption	77.2	113.5	+ 47.0
Sales	11,612.6	12,073.3	+ 4.0

PRODUCTION ABROAD BY AGIP AND ASSOCIATES IN 1982

	1981	1982
<hr/>		
A) Oilfields (in thousands of tons)		
Congo	4,102	4,544
Egypt	7,105	8,211
Tunisia	3,336	3,424
Nigeria	5,951	6,023
Norway	14,190	12,148
Libya	4,416	5,332
Indonesia	202	161
United States	19	30
Ivory Coast	--	320
Canada	--	7
TOTAL	39,231	40,200
B) Gas fields (in millions of cubic meters)		
Egypt	888	907
England (*)	4,684	3,784
Norway (*)	11,891	11,843
United States	36	54
TOTAL	17,499	16,588
C) Condensates (in thousands of tons)		
Norway	795	1,041
Libya	119	110
England	36	29
TOTAL	1,130	1,180

N.B. Overall production from fields where
AGIP is involved.

(*) Gas sales, net of quantities reinjected or consumed

OIL SURPLUS GROWS WITH USE OF ALTERNATIVE SOURCES

Stockholm DAGENS NYHETER in Swedish 17 Nov 83 p 2

[Editorial by OA: "A Sigh From the Oil Mountain"]

[Text] Sweden is in the midst of having a reverse oil crisis, an oil mountain. The replacement of oil took place and is taking place much faster than anticipated. The petroleum industry even predicts that the oil consumption --26 million tons as late as 1979--will stop at 15 million tons this year and will drop toward 12 as early as next year!

In a new prognosis the State Energy Office is noticeably more cautious than the industry and expects that not until 1987 will the oil consumption have dropped to just 16 million. But in 1980 the same prognosis-makers, at that time in the Industry Council, predicted that fuel oils alone would amount to nearly 15 million tons in 1985. In fact, they dropped to just above 10 million tons as early as 1982! So the prognosis of the oil industry, far more "pessimistic" from its own viewpoint--others might see it as positive--seems more realistic.

In just a few years the consumption of heavy heating oil has dropped by two-thirds and home heating oil by half. Only the gasoline consumption stays level and is increasing at this time. The three Swedish refineries will soon have difficulty selling the heating oils they obtain in gasoline production. In the future, refinery production will likely be cut back so heavily--by closing one, perhaps even two refineries--that Swedish automobiles will be extremely dependent on direct importation of gasoline.

If an assured supply for cars were to decrease in this manner, that is yet another argument in favor of trying to mix 15 to 20 percent "bark," that is to say ethanol, produced from domestic surplus waste wood, grain etc., into the gasoline. Now that the FRG is switching directly to lead-free gasoline, we will follow suit, just as the others, and then the major automobile manufacturers in Sweden and on the Continent will have to change the engines etc. anyhow. Then there will be a golden, and perhaps never again recurring, opportunity to switch directly to mixed fuels and thereby reduce our future oil dependence, which on the part of Europe will still always be sensitive to crises and imports.

For everything indicates that the need for propellants is growing, while fuel oils are being increasingly reduced by energy saving and alternative fuels. Although new refinery technology will produce a greater relative yield of gasoline from oil, the savings of oil--necessary for reasons of both supply and environment--may create a lasting imbalance, in which demand for gasoline as a residual product will create oil mountains with no market.

On the other hand, with a hefty admixture of methanol or ethanol gasoline consumption can be kept down and fuels can be made safer for the environment. Sweden should thus push for (m)ethanol in gasoline in Western Europe since new engines have to be introduced anyway. And we can already stimulate a, say five-percent admixture for the present engines by giving domestic liquid fuels the same taxfree status as solid fuels.

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